

City of Tallahassee

Elected Officials

John R. Marks, III *Mayor*

Allan J. Katz, *Mayor Pro Tem - Commissioner*

Mark Mustian
Commissioner

Andrew D. Gillum
Commissioner

Debbie Lightsey
Commissioner

Administration

Anita R. Favors
CITY MANAGER

Gary Herndon
CITY TREASURER-CLERK

James R. English
CITY ATTORNEY

Sam McCall
CITY AUDITOR

Bond Counsel
Bryant, Miller and Olive, P.A.
Tallahassee, Florida

Financial Advisor
Prager, Sealy & Co., LLC
Orlando, Florida

PURPOSE OF THE ANNUAL REPORT TO BONDHOLDERS

The 2003 Annual Report to Bondholders has been prepared by the City of Tallahassee to provide information concerning the City, its financial operations and its indebtedness. As recommended in the Guidelines to Continuing Disclosure prepared and published by the Government Finance Officers Association, this information is being furnished to requesting, current security holders and potential purchasers of securities in the secondary market, dealers, security analysts, rating agencies, Nationally Recognized Municipal Securities Information Repositories (NRMSIRs), and other interested parties. The City maintains a distribution list of individuals or firms that have indicated an interest in receiving the report. Anyone interested in being added to the distribution list should make that request in writing to the address listed at the bottom of this section.

In addition to this Report, each fiscal year the City of Tallahassee prepares a Comprehensive Annual Financial Report, which includes audited financial statements in accordance with generally accepted accounting principles. This document is available from the City upon request. The current auditors for the City are Thomas, Howell, Ferguson, PA and Law, Redd, Crona & Monroe, PA, Tallahassee, Florida.

In compliance with SEC rule 15c2-12, the City has entered into undertakings to provide secondary market information in connection with the following bond issues:

- \$15,360,000 Capital Refunding Bonds, Series 2001, dated October 15, 2001.
- \$27,630,000 Energy System Refunding Revenue Bonds, Series 2002, dated August 1, 2002.
- \$17,680,000 Energy System Refunding Revenue Bonds, Series 2001, dated May 1, 2001.
- \$143,800,000 Energy System Refunding Revenue Bonds, Series 1998 A, dated November 1, 1998.
- \$49,220,000 Energy System Revenue Bonds, Series 1998 B, dated November 1, 1998.
- \$23,900,000 Consolidated Utility Systems Refunding Revenue Bonds, Series 2001, dated May 1, 2001.
- \$46,780,000 Consolidated Utility Systems Revenue Bonds, Series 1995, dated July 1, 1995.
- \$11,995,000 Airport System Revenue Refunding Bonds, Series 1995, dated November 15, 1995.

The release of this report satisfies, in the City's opinion, the requirements for annual disclosure as set forth in the undertakings. The City is committed to fulfilling its disclosure obligations, as now or as may hereafter be defined by the SEC. While the City is committed to the release of secondary market information necessary to evaluate the City's credit, the City is making no on-going commitment to the publication and release of future Reports to Bondholders and in the future its disclosure obligations may be met through supplements or enhancements to its Comprehensive Annual Financial Report or through the release of other documents.

The City has not undertaken an independent review or investigation to determine the accuracy of the information that has been obtained from other sources. Certain information presented herein has been obtained from sources that are believed by the City to be reliable, but neither the City nor the elected or appointed officials make any representations or warranties with respect to the accuracy or completeness of that information.

Additionally, to the extent that certain portions of the Annual Report constitute summaries of documents, reports, resolutions, or other agreements relating to the operations or outstanding debt of the City, this Report is qualified by reference to each such document, report, resolution, or agreement, copies of which may be obtained from the Office of the City Treasurer-Clerk. The Report contains

certain capitalized undefined terms. Such terms are defined in the resolutions of the City authorizing the issuance of the respective bonds of the City.

The City encourages readers of the report to provide suggestions that will improve the readability or usefulness of the report. Questions concerning the information contained herein or suggestions should be directed to:

City Treasurer-Clerk
City of Tallahassee
300 South Adams Street
Tallahassee, Florida 32301-1731
(850) 891-8130; FAX, (850) 891-8210

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EXECUTIVE SUMMARY

The City's Annual Report to Bondholders is designed to provide a reader, with no prior background, general information regarding the City and its debt. For those readers who regularly follow the City, much of the information contained herein may be repetitive. To assist those readers, the most significant changes since last year's report are highlighted below. Readers are encouraged to read the report in its entirety even though the City, by means of this executive summary, identifies only those events that it believes to be the most important that have occurred since the publication of the 2002 Annual Report to Bondholders.

Tallahassee Regional Airport

The City of Tallahassee entered into an agreement with AirTran in 2001 and renewed it in 2002, to provide a \$1.5 million revenue guarantee for operational assistance and \$600,000 in marketing assistance. This agreement helped bring a low fare carrier to this market, producing more competitive prices from existing airlines. Traffic at the Airport for 2002 was up 26.80% from 2001 and reached a record level in excess of one million (1,081,995) for the year. The increase is most likely attributed to passengers continuing to take advantage of low fares offered by Tallahassee's air carriers.

Blueprint 2000

A local option one-cent sales tax has been in effect since November 1989 and has been extended until 2019, to provide funding for transportation projects and law enforcement facility improvements. Funds from the sales tax have allowed the community to build a new Leon County detention facility, expand and renovate the Tallahassee Police Department Headquarters, complete badly needed roadway projects, and improve bicycle and pedestrian facilities. Future uses include critically needed community initiatives including stormwater projects, greenspace acquisitions, park and other recreation improvements, and transportation projects. Funding from this tax is allocated 80% to Blueprint 2000 projects and 10% each to City and Leon County projects. During 2003, Blueprint 2000 has issued approximately \$70,000,000 of bonds supported by the Blueprint 2000 share of the one-cent sales tax (See "*General Government – Major Initiatives – Blueprint 2000*").

Telecommunications Tax

A new form of telecommunications tax called the Simplified Tax went into effect October 1, 2001. The City opted to impose the highest rate at 5.6%, resulting in the collection of \$1.6 million more in taxes for FY 2002 than for FY 2001 (See "*General Government – Revenue Considerations*").

Energy System Bond Refunding

On July 10, 2002, the City Commission authorized staff to move forward with the issuance of not to exceed \$33,000,000 in Energy System Bonds, Series 2002. The goal of the City was to refund any Electric System Bonds that were refundable, thereby taking advantage of lower interest rates to realize additional present-value savings in interest expense for the Energy System. The City sold \$27,630,000 in Energy System Revenue Refunding Bonds, Series 2002 to refund the Electric System Refunding Revenue Bonds, Series 1992 A. The Net Revenues of the Energy System secure the Energy System Revenue Refunding Bonds, Series 2002.

Tal.gov.com

The September 30, 2002 Comprehensive Annual Financial Report, which includes audited financial statements in accordance with generally accepted accounting principles, is available on the City's website at www.tal.gov.com. The website also has other useful information available, including the City's budget for FY 2003.

THE CITY OF TALLAHASSEE

Introduction

The City of Tallahassee provides a full range of municipal services to its citizens. These include: police and fire services, construction and maintenance of streets, sidewalks, and cemeteries, solid waste collection, recreation, public improvements, planning and zoning, general administrative services, five utilities (electric, gas, water, sewer and stormwater management), a mass transit bus system, and a regional airport. For the purposes of this report, the term General Government refers to activities supported by the General, TalTran, Golf Course, Fire Services, and Solid Waste funds.

Between 1919 and 1997, the City of Tallahassee operated under a Commission-Manager form of government. In 1996, the citizens of Tallahassee approved a change in the method of selecting a Mayor, voting to elect this position directly, replacing the annual rotation of Mayor among the Commissioners. In 1997, the citizens elected their first Mayor of the City of Tallahassee. The Mayor and other four Commissioners are elected at-large for four-year terms. Administration of the City is vested in four appointed officers: City Manager, City Treasurer- Clerk, City Auditor and City Attorney. The City Manager is the chief executive. The City Treasurer-Clerk is the supervisor of elections, custodian of public records, and is responsible for the management of public funds.

Population and Growth

The presence of the State Capital and two major universities helps to shape Leon County's population as relatively young, well educated, and affluent. A median age of 29.5 years ranks Leon County as the second youngest county in Florida (Tallahassee, with a median age of 26.3 is Florida's youngest city), while our education level is the highest in the state. According to the 2000 Census, 41.7% of area residents aged 25 or older had completed at least four years of college, compared to 22.3% of the state on average. Leon County's relative wealth is depicted by a median family income of \$52,962 (2000 Census), which ranks 7th highest of the 67 Florida counties and is 16% greater than the state median. The new 2000 Census figures show a racially diverse community, with minorities accounting for 33% of the population, with African-Americans making up 30% of Leon County.

Population Growth, Past and Future

<u>Year</u>	<u>Tallahassee</u>	<u>Unincorporated</u>	<u>Leon County</u>
1930	10,700	12,776	23,476
1960	48,174	26,051	74,225
1990	124,773	67,720	192,493
2000	150,624	88,828	239,452
2002	156,703	91,336	248,039
2010	174,000	104,300	278,300
2020	197,100	120,600	317,700
2030	215,200	133,500	348,700

Sources:

- 1930-2000 - U.S. Department of Commerce, Census Bureau
- 2002-2030 - Leon County: University of Florida, Bureau of Economic and Business Research
Tallahassee: Planning Department, assuming continued annexations.

Employment

Government employment, particularly State employment, has historically been a source of stability for the local economy. Representing 36% of all employment in Leon County, government employment has helped to keep unemployment rates low. This heavy concentration of employment in one sector, however, has the effect of making Leon County's economy susceptible to downturns in that sector. This threat is of particular concern now, as Governor Bush and the Florida Legislature are in the process of trimming State Government jobs by 25% over five years. Since 1999, State Government employment, as a percentage of total area employment, has fallen from 27.8% to an August 2002 mark of 26.6%. Recognizing the need to diversify the area's economy, the local government and the Chamber of Commerce are intensifying efforts to attract additional employers to the area and to assist the expansion of existing local businesses.

Average Annual Unemployment Rate

<u>Year</u>	<u>Leon County</u>	<u>Florida</u>	<u>United States</u>
1970	2.5%	4.3%	4.9%
1980	4.4%	5.9%	7.1%
1990	3.8%	5.9%	5.4%
2000	2.3%	3.6%	4.0%
October 2002 (preliminary)	3.2%	5.3%	5.3%

Sources: Florida and U.S. Labor Statistics

2001 Tallahassee MSA Labor Force Estimates by Industry

<u>Industry</u>	<u>Number of Employees</u>	<u>Percentage of Labor Force</u>
Construction	6,300	3.9%
Manufacturing	4,400	2.7%
Transportation/Public Utilities	3,900	2.4%
Wholesale Trade	4,600	2.9%
Retail Trade	27,700	17.2%
Finance, Insurance & Real Estate	6,300	3.9%
Health Services	12,200	7.6%
Business Services	10,900	6.8%
Other Services & Miscellaneous	24,700	15.1%
Local Government	13,300	8.3%
State Government	44,800	27.8%
Federal	1,800	1.1%
TOTAL (non-agricultural)	161,100	100.0%

Source: Florida Department of Labor and Employment Security, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Income Characteristics

Due to the nature of government and university employment, which call for a high percentage of professional and white collar employees, Leon County enjoys relatively high income levels, especially when compared to surrounding counties. Leon County also has the highest percentage of females in the workforce of any county in Florida, which helps contribute to higher income levels.

Per Capita Personal Income

<u>County</u>	<u>2000</u>	<u>State Rank</u>
Calhoun	15,627	61
Franklin	19,259	40
Gadsden	19,087	42
Jefferson	21,728	36
Leon	26,564	17
Liberty	15,547	62
Madison	16,833	58
Taylor	18,730	44
Wakulla	22,556	33
FLORIDA	27,764	-

Source: U.S. Department of Commerce; Bureau of Economic Analysis.

GENERAL GOVERNMENT

Property Taxes

Property taxes can significantly impact the citizen's perception of economic success. The City's property tax has remained at 3.2 mills since 1991. The City enjoyed the lowest millage rate of the ten largest cities in Florida for 2002 and 2003. Tallahassee's low and stable millage rate should act as an incentive to economic growth and stability. Jacksonville was not included since it is a consolidated city with varying millage rates for different sections of the city.

<u>City</u>	<u>2000 Population</u>	<u>Millage Rates</u>	
		<u>2002</u>	<u>2003</u>
Miami	362,470	9.0	9.0
Tampa	303,447	6.5	6.5
St. Petersburg	248,232	7.1	7.1
Hialeah	226,419	7.5	7.5
Orlando	185,951	5.7	5.7
Fort Lauderdale	152,397	4.9	4.8
Tallahassee	150,624	3.2	3.2
Hollywood	139,357	6.9	6.9
Pembroke Pines	137,427	3.9	4.6
Coral Springs	117,549	3.9	3.9

Major Initiatives – Blueprint 2000

A local option one-cent sales tax has been in effect since November 1989 and has been extended until 2019, to provide funding for transportation projects and law enforcement facility improvements. Funds from the sales tax have allowed the community to build a new Leon County detention facility, expand and renovate the Tallahassee Police Department Headquarters, and complete badly needed roadway projects, and improved bicycle and pedestrian facilities. Future uses include critically needed community initiatives including stormwater projects, greenspace acquisitions, park and other recreation improvements, and other transportation projects.

The funding will be allocated 80% to Blueprint 2000 projects and 10% each to City and Leon County projects. During 2003, Blueprint 2000 is expected to issue approximately \$70,000,000 of bonds supported by the Blueprint 2000 share of the one-cent sales tax.

Revenue Considerations

Property taxes, which provide 15% of governmental revenues increased by \$940,000 due to the increase in taxable assessed values and new residential and commercial properties added. At the beginning of Fiscal Year (FY) 2002, a new form of telecommunications tax called the Simplified Tax went into effect. The City opted to impose the highest rate at 5.6%, resulting in the collection of \$1.6 million more in taxes for FY 2002 than for FY 2001. Revenues from licenses and permits increased by \$450,000 with additional revenues from occupational licenses, building and environmental permits.

Transfer Considerations

The FY 2002 transfer from the Electric Fund was \$6.8 million less than the prior year. Until April 2001, electric customers received a rebate for the fees paid for fires services on their utility bills. FY 2001's transfers included the amount needed from the Electric Fund for these rebates, which were paid from the General Fund.

Expense Considerations

General Government expenditures decreased by \$6.5 million compared to the prior year. The elimination of the Fire Services rebate mentioned above reduced expenses by \$7 million. This was partially offset by increases in personnel related expenditures, which included merit pay raises of up to 5% in 2002, and the general government's portion of the increase in health insurance premiums for staff and retirees.

Public safety expenditures increased by \$3.2 million due to increases in staffing, overtime, and pay increases for police staff. Transportation expenditures increased by \$4.6 million due to an increase in transportation maintenance projects such as street resurfacing. Cultural and recreation expenses were \$1 million higher due to salary and healthcare increases, improvements to parks, and special events.

Economic and other Factors that may Impact the City's Financial Position

Fiscal Year 2003 should see continued development and interest in downtown with the prospect of a multi-purpose hotel complex on a corner of Kleman Plaza and a proposed theater. Groundbreaking on the Renaissance Center in Frenchtown also occurs in 2003. Florida's newest Challenger Learning Center and IMAX Theater on Kleman Plaza is scheduled to open in March 2003. Construction has begun on the Blair Stone Road extension, which will ease traffic concerns for years to come. In September 2002, the City was recognized again on the Forbes list of 200 Best Places to Build a Business.

Funding for the City's governmental activities comes from property taxes and a limited number of permitted other taxes (sales, gasoline, utility services and telecommunications) and fees (franchise, occupational license, etc.). Some funding is also received from state-shared revenues and grants from the state and federal governments and agencies. During the 2003 budget process the City considered projections on the state and local economy to estimate these tax revenues for next year.

The entry of AirTran into the market in 2001 has helped to reduce airfares and increase passenger count. The City provided a revenue guarantee in the form of cash payments in AirTran's first year and recently signed a new agreement for an additional year.

The Electric Fund maintains a reserve account to enable the City to react in the event of deregulation. This has not occurred and should not impact 2003. This reserve has been used in the past to reduce the impact to electric customers of steep increases in the market price of fuel. The balance in this fund at the fiscal year end was \$77.6 million.

Purchased gas represents almost 50% of the gas utility budget. Purchased fuel totals \$91.2 million in the electric utility accounts. The cost of fuel is offset through cost recovery adjustments that are not a part of the standard rates to customers. Continued civil unrest and the threat of war may impact fuel prices in 2003.

The City has long-term purchase contract obligations for the purchase of gas and energy of \$106.3 million. These contracts are managed by the City's Energy Services Department. These are based on forecast needs of our customers and expected prices in the market. These contracts help to assure an adequate supply and help to reduce the spikes that can occur with market prices. Revenues from future purchases by customers are expected to cover these obligations.

The amount of general obligation debt that the City can issue is limited by City Charter to 20% of the assessed value of all taxable property within the City's corporate limits. The current debt limit is \$1.3 billion. The City has no outstanding general obligation debt.

Fiscal Year 2003's Budget and Rates

Because of the number of state and federal offices locally and the presence of two universities and a community college, less than 50% of the City's property is subject to taxes. For 2003 the City's property taxes will remain at 3.2 mills, which has been in effect since 1991. Ad valorem taxes provide 51% of total tax revenues for the City's General Fund. Increases in property taxes will come

from growth in the number of residential and business properties and in increases in property values.

In April 2001, electric base rates were reduced by \$22.4 million, and the Fire Services rebate removed from utility bills. These base rates have not been increased since that time, nor is a rate increase planned for 2003 for electric or any of the other City utilities. The addition of a new generator as well as other efficiencies made this possible. The Electric, Water, Sewer, and Gas Funds transfer money to the City General Fund. The transfer from the Electric Utility has been reduced by \$18 million since FY 1996, to just over \$17 million in FY 2003. The other utilities will transfer about \$7.2 million combined.

The City's Capital Budget is for \$126 million with \$19 million budgeted in the General Fund and \$94 million in the Enterprise Funds. Some of the capital projects include funding for park and stormwater improvements and transportation projects. The City has no plans to issue additional debt to finance these projects. Rather, we will use capital improvement funds reserved for like projects. The City has a five-year plan for capital improvements for all projects planned through FY 2007 that totals \$708 million with appropriations of funding made on an annual basis.

Selected General Government Statistics

Pledged Revenues

City of Tallahassee, Capital Bonds

For Fiscal Years Ending Sept. 30	1998	1999	2000	2001	2002
Public Service Tax	15,471,000	15,659,000	16,518,000	16,250,000	19,588,000
Half Cent Sales Tax	6,879,000	7,184,000	7,741,000	8,498,000	8,474,000
Guaranteed Entitlement	1,251,000	1,251,000	1,251,000	1,251,000	1,251,000
Total Revenue	23,601,000	24,094,000	25,510,000	25,999,000	29,313,000
Debt Service	2,147,000	2,145,000	2,149,000	2,145,000	1,818,000
Debt Service Coverage	10.99x	11.23x	11.87x	12.12x	16.12x

(1) Beginning in FY 1999, Fire Services are supported by a transfer from the General Fund.

(2) Year-end surpluses are reappropriated at the end of the fiscal year to fund reserves or capital projects. These reappropriations are reflected as transfers out in this schedule.

(3) Includes General Fund Only.

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Assessed	Taxable Assessed	Levy	Collection	% (1)
	Valuation	Valuation			
1993	6,720,821,000	3,258,882,000	10,471,000	10,124,000	97
1994	8,389,730,000	3,736,737,000	11,305,000	10,906,000	96
1995	8,749,066,000	4,025,808,000	11,951,000	11,636,000	97
1996	9,043,725,000	4,270,650,000	12,925,000	12,432,000	96
1997	9,537,873,000	4,576,295,000	13,712,000	13,045,000	95
1998	9,900,598,000	4,884,574,000	14,700,000	14,153,000	96
1999	10,283,317,000	5,217,865,000	15,697,000	15,107,000	96
2000	10,653,603,000	5,558,879,000	16,775,000	16,081,000	96
2001	11,101,845,000	5,892,235,000	17,856,000	17,231,000	97
2002	11,718,893,000	6,335,214,000	18,927,000	18,172,000	96

(1) Florida Statutes provide for a discount of up to 4% for early payment of ad valorem taxes. All unpaid taxes become delinquent on April 1, and are sold at auction on June 1 of each year as tax certificates. The City, after all tax certificates are sold, has fully collected all ad valorem tax revenues.

CITY OF TALLAHASSEE, FLORIDA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT⁽¹⁾
September 30, 2002
(in thousands)

DIRECT DEBT

Non-Self-Supporting Revenue Debt.....	(2)	\$ 35,760
Self-Supporting Revenue Debt.....		<u>353,979</u>
TOTAL DIRECT CITY OF TALLAHASSEE DEBT.....	(3)	<u>353,979</u>

OVERLAPPING DEBT

Leon County School Board:		
General Obligation Debt		
Series 1993 Refunding.....	18,768	
Series 2000 Refunding.....	15,604	
Series 1991 Refunding.....	(77)	
State Board of Education.....	11,419	
Race Track School Portion Revenues.....	<u>1,092</u>	
Total Leon County School Board.....	46,806	
Leon County.....	<u>23,565</u>	
TOTAL OVERLAPPING DEBT.....	<u>70,371</u>	
CITY SHARE OF NET OVERLAPPING DEBT.....	(4)	<u>47,852</u>
TOTAL CITY DIRECT AND OVERLAPPING DEBT.....		<u>\$ 401,831</u>

City of Tallahassee Per Capita Direct and

Overlapping Debt.....	(5)	<u>\$ 2.56</u>
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- (1) For the purpose of this schedule, overlapping debt is defined as General Obligation Debt. The amount of debt outstanding reflects the principal outstanding less any reserves and debt service fund balances.
- (2) Of this amount, \$21,700,000 is secured by a covenant to budget and appropriate.
- (3) The City of Tallahassee currently has no outstanding general obligation debt.
- (4) City's share calculated based on 2002 County Taxable Value of \$9,291,415 and City Taxable Value of \$6,335,214, which results in 68% overlap.
- (5) Based on 2001 population for the City of 156,703.

CITY OF TALLAHASSEE, FLORIDA
GENERAL FUND
BALANCE SHEET
SEPTEMBER 30
(in thousands)

	2002	2001
ASSETS		
Cash and Cash Equivalents.....	\$ 24,463	29,868
Securities Lending Collateral	6,067	1,611
Receivables:.....		
Accrued Interest.....	122	252
Customers.....	1,184	757
Other.....	3,290	1,155
Notes.....	--	--
Special Assessments - Current.....	--	--
Property Taxes-Delinquent.....	165	160
Less: Allowance for Doubtful Accounts.....	(299)	(267)
Due From Other Governments.....	891	281
Advance to Other Funds.....	--	603
Inventory.....	302	420
Cash and Cash Equivalents - Restricted.....	186	155
Securities Lending Collateral - Restricted.....	46	32
Total Assets.....	\$ 36,417	35,027
LIABILITIES AND FUND BALANCES		
Liabilities:		
Obligations Under Securities Lending	\$ 6,067	1,611
Accounts and Retainage Payable.....	2,895	2,666
Deferred Revenue.....	2,822	2,326
Accounts and Retainage Payable - Restricted.....	186	155
Obligations Under Securities Lending - Restricted.....	46	32
Due to Other Funds.....	52	936
Advances from Other Funds.....	817	--
Deferred Revenue - Restricted.....	--	--
Tota	12,885	7,726
Fund Balance:		
Reserved for:		
Encumbrances.....	710	1,340
Advances to Other Funds.....	--	603
Inventory.....	302	420
Designated for:		
General Fund - Deficiencies.....	20,166	21,056
General Fund - Subsequent Years Budget.....	810	2,500
Unreserved, reported in:		
General Fund	1,544	1,382
Total Fund Balances.....	\$ 23,532	\$ 27,301

CITY OF TALLAHASSEE, FLORIDA
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE
FISCAL YEAR ENDED SEPTEMBER 30
(in thousands)

	<u>2002</u>	<u>2001</u>
Revenues:		
Taxes.....	\$ 38,208	\$ 35,016
Licenses and Permits.....	4,905	4,458
Intergovernmental Revenues.....	14,427	13,792
Charges for Services.....	5,919	10,303
Fines and Forfeitures.....	1,352	1,436
Interest Earned.....	1,759	1,565
Net Increase In The Fair Value of Investments.....	68	456
Miscellaneous Revenues.....	7,940	3,305
Total Revenues.....	<u>74,578</u>	<u>70,331</u>
Expenditures:		
Current:		
General Government.....	21,010	26,109
Public Safety.....	35,921	32,417
Transportation.....	10,626	10,297
Human Services.....	4,439	4,117
Economic Environment.....	1,363	1,318
Physical Environment.....	4,397	4,247
Cultural and Recreation.....	12,334	11,210
Debt Service:		
Principal Retired.....	118	140
Interest and Fiscal Charges.....	53	31
Advance Refunding Escrow.....	--	--
Total Expenditures.....	<u>90,261</u>	<u>89,886</u>
Excess of Revenues Over (Under) Expenditures.....	<u>(15,683)</u>	<u>(19,555)</u>
Other Financing Sources (Uses):		
Operating Transfers In.....	25,165	32,439
Operating Transfers Out.....	(13,251)	(13,626)
Total Other Financing Sources (Uses).....	<u>11,914</u>	<u>18,813</u>
Net Change in Fund Balances.....	(3,769)	(742)
Fund Balances - October 1.....	27,301	28,043
Fund Balances - September 30.....	<u>\$ 23,532</u>	<u>\$ 27,301</u>

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\$15,360,000
CITY OF TALLAHASSEE, FLORIDA
CAPITAL REFUNDING BONDS, SERIES 2001

Dated: October 15, 2001

Purpose

To refund the City's outstanding Capital Bonds, Series 1993 A and 1993 B Bonds.

Security

The Bonds are secured by a pledge of and lien on the City's Guaranteed Entitlement Revenues; the City's receipts from the Local Government Half-Cent Sales Tax; and earnings on the investment of all funds and accounts created under the Resolution except the Rebate Fund.

Form

\$15,360,000 Serial Bonds due October 1, 2011. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2002.

Agents

Registrar - Wachovia Bank of Florida, Jacksonville, Florida.

Paying Agent - Wachovia Bank of Florida, Jacksonville, Florida.

Trustee - Wachovia Bank of Florida, Jacksonville, Florida.

Bond Counsel – Bryant, Miller and Olive, P.A., Tallahassee, Florida.

Ratings

Moody's – Aaa (A1 underlying)

Standard and Poors – AAA (A+ underlying)

Fitch – AAA (AA underlying)

Redemption Provisions

The Series 2001 Bonds are not subject to redemption prior to the stated maturity dates thereof.

\$15,360,000
CITY OF TALLAHASSEE, FLORIDA
CAPITAL REFUNDING BONDS, SERIES 2001

Summary of Remaining Debt Service Requirements

Bond Year Ending	Interest Rate	Principal	Interest	Total
2003	2.30%	\$ 1,380,000	\$ 499,675	\$ 1,879,675
2004	3.00%	1,410,000	467,935	1,877,935
2005	3.25%	1,450,000	425,635	1,875,635
2006	3.25%	1,500,000	378,510	1,878,510
2007	3.50%	1,550,000	329,760	1,879,760
2008	3.65%	1,600,000	275,510	1,875,510
2009	3.75%	1,660,000	217,110	1,877,110
2010	3.80%	1,720,000	154,860	1,874,860
2011	5.00%	1,790,000	89,500	1,879,500
Totals		<u>\$ 14,060,000</u>	<u>\$ 2,838,495</u>	<u>\$ 16,898,495</u>

CAPITAL BONDS
SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

This Summary of Certain Provisions of the Resolution is subject in all respects to the more complete information and definitions contained in Resolution No. 01-R-48, adopted on October 10, 2001 (the "Resolution"). This Summary of Certain Provisions of the Resolution should not be considered to be a complete statement of the facts material to making any investment decision.

The City of Tallahassee, Florida (the "City") currently has outstanding its \$15,360,000 Capital Refunding Bonds, Series 2001 (the "Series 2001 Bonds").

Pledged Revenues

"Additional Parity Obligations" shall mean additional obligations issued in compliance with the terms, conditions and limitations contained in the Resolution and which (i) shall have a lien on the Pledged Revenues equal to that of the Series 2001 Bonds, and (ii) shall be payable from the proceeds of the Pledged Revenues on a parity with the Series 2001 Bonds.

"Guaranteed Entitlement Revenues" shall mean the guaranteed entitlement revenues received by the City pursuant to Chapter 218, Part II, Florida Statutes, and defined therein as the "Guaranteed Entitlement." In the event the State of Florida increases the portion of the Revenue Sharing Trust Fund guaranteed to the City, the term "Guaranteed Entitlement Revenues" shall include such increased amount.

"Local Government Half-Cent Sales Tax" shall mean the moneys distributed monthly to the City from the Local Government Half-Cent Sales Tax Clearing Trust Fund in the State Treasury received by the City pursuant to Chapter 218, Part VI, Florida Statutes.

"Pledged Revenues" shall mean collectively, the Local Government Half-Cent Sales Tax, the Guaranteed Entitlement Revenues, as defined in the Resolution and earnings on investments of all funds and accounts created in the Resolution (except the Rebate Fund) or any supplemental resolutions, if any, pledged to secure the Bonds issued pursuant to the Resolution.

Disposition of Revenues

All amounts in the Revenue Fund shall be disposed of monthly, but not later than the twenty-eighth (28th) day of each month commencing in the month immediately following the delivery of the Series 2001 Bonds only in the following manner and the following order of priority:

(1) The City shall first deposit into a separate fund which is hereby created and designated the "City of Tallahassee Capital Bonds Debt Service Fund" (hereinafter called the "Debt Service Fund"), and credit to the following accounts, in the following order (except that payments into the Principal Account and the Redemption Account shall be on a parity with each other), the following identified sums:

(a) Interest Account: Such sum as will be sufficient to pay one-sixth (1/6th) of all interest coming due on all Bonds on the next interest payment date, together with any fees and charges of the Paying Agent and Registrar therefore. The moneys in the Interest Account shall be withdrawn and deposited with the Paying Agent and Registrar for the Bonds on or before each interest payment date in an amount sufficient to pay the interest due on such date and the fees of the Registrar. Such monthly payments shall be increased or decreased proportionately prior to each interest payment date or dates, after making allowances for any deposits made into the Interest Account upon the issuance of the Bonds.

(b) Principal Account: Such sum as will be sufficient to pay one-

twelfth (1/12th) of the principal amount of the Bonds which will mature and become due on such annual maturity dates beginning in the month which is twelve (12) months prior to the first principal maturity date. The moneys on deposit in the Principal Account shall be withdrawn and deposited with the Paying Agent and Registrar for such Bonds on or before each principal maturity date in an amount sufficient to pay the principal maturing on such date and the fees and charges of the Paying Agent and Registrar.

(c) Redemption Account: Such sum as will be sufficient to pay any Amortization Installment established for the Term Bonds established by any subsequent resolution of the City.

(d) To the extent that the amounts on deposit in the Reserve Fund are less than the Reserve Requirement, the City shall next make deposits into the Reserve Fund in the manner described below from moneys remaining in the Revenue Fund. Any withdrawals from the Reserve Fund shall be subsequently restored from the first moneys available in the Revenue Fund, after all current applications and allocations to the Debt Service Fund, including all deficiencies for prior payments that have been made in full. The City may provide that the difference between the amounts on deposit in the Reserve Fund and the Reserve Requirement shall be an amount covered by a letter of credit rated in one of the two highest categories by nationally recognized rating agencies, by a surety bond acceptable to any company issuing a policy of municipal bond insurance guaranteeing the payment of principal and interest on the Series 2001 Bonds, or any combination thereof. Moneys in the Reserve Fund shall be used only for the purpose of the payment of Amortization Installments, principal of, or interest on the Bonds when the other moneys allocated to the Debt Service Fund are insufficient therefore, and for no other purpose.

Moneys in the Reserve Fund shall be valued at cost. In the event of the refunding of the Bonds, the City may withdraw from the Reserve Fund, all or any portion of the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts as required by the ordinance or resolution authorizing the refunding of such series of Bonds; provided that such withdrawal shall not be made unless (a) immediately thereafter, the Bonds being refunded shall be deemed to have been paid pursuant to the provisions hereof, and (b) the amount remaining in the Reserve Fund after giving effect to the issuance of such refunding obligations and the disposition of the proceeds thereof shall not be less than the Reserve Requirement for any Bonds then Outstanding. Any excess moneys on deposit in the Reserve Fund shall be transferred by the City to the Debt Service Fund.

(2) The balance of any moneys remaining in the Revenue Fund, after the above required payments have been made, may be used for any lawful purpose; provided, however, that none of said money shall be used for any purposes other than those hereinabove specified unless all current payments, including any deficiencies for prior payments, have been made in full and unless the City shall have complied fully with all the covenants and provisions of the Resolution.

(3) The Debt Service Fund (including the accounts therein), the Revenue Fund, the Reserve Funds and any other special funds in the Resolution established and created shall be deemed to be held in trust for the purposes provided in the Resolution for such funds. The money in all such funds shall be continuously secured in the same manner as state and municipal deposits are authorized to be secured by the laws of the State of Florida.

Moneys in any fund or account created hereunder (with the exception of the Reserve Fund) may be invested and reinvested in permitted investments which mature not later than the dates on which the moneys on deposit therein will be needed for the purpose of such fund. Moneys in the Reserve Fund may be invested and reinvested in permitted investments maturing not later than the date of the last maturity of any of the Bonds. All income on such investments, except as otherwise provided, shall be deposited in the respective funds and accounts from which such in-

vestments were made and be used for the purposes thereof unless and until the maximum required amount is on deposit therein, and thereafter shall be deposited in the Revenue Fund.

(4) In determining the amount of any of the payments required to be made pursuant to this Section, credit may be given for all investment income accruing to the respective funds and accounts described in the Resolution, except as otherwise provided.

(5) The cash required to be accounted for in each of the funds and accounts described in this Section may be deposited in a single bank account, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the cash on deposit therein for the various purposes of such funds and accounts as in the Resolution provided. The designation and establishment of the various funds in and by the Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues of the City for certain purposes and to establish certain priorities for application of such revenues and assets as provided in the Resolution.

The City shall issue no bonds or obligations of any kind or nature payable from or enjoying a lien on the Pledged Revenues if such obligations have priority over the Bonds with respect to payment or lien, nor shall the City create or cause or permit to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the Bonds upon said Pledged Revenues. However, the City may issue Additional Parity Obligations under the conditions and in the manner provided in Subsection 18(D) of the Resolution. Any obligations of the City, other than the Series 2001 Bonds, which are payable from the Pledged Revenues shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds as to the lien on and source and security for payment from such Pledged Revenues.

Parity Test for the Issuance of Additional Parity Obligations

No Additional Parity Obligations shall be issued after the issuance of the Series 2001 Bonds authorized in the Resolution, except upon the conditions and in the manner hereinafter provided:

(1) There shall have been obtained and filed with the City a certificate of the Chief Financial Officer of the City stating: (a) the aggregate amount of the Pledged Revenues received by the City for the fiscal year immediately preceding the date of issuance of such Additional Parity Obligations or for any consecutive twelve (12) months out of the eighteen (18) months immediately preceding the date of issuance of the proposed Additional Parity Obligations with respect to which such certificate is made; (b) that the aggregate proceeds of the Pledged Revenues for such preceding fiscal year or for any consecutive twelve (12) months out of the eighteen (18) months immediately preceding the date of issuance of the proposed Additional Parity Obligations equals at least one hundred twenty-five percent (125%) of the Maximum Bond Service Requirement computed on a basis which includes both (i) all Bonds then outstanding and (ii) the Additional Parity Obligations after adjustments for retirements, if any, from the proceeds of the Additional Parity Obligations with respect to which such certificate is made.

(2) The City shall not be in default in the carrying out of any of the obligations assumed under the Resolution and no event of default shall have occurred under the Resolution and shall be continuing, and all payments required by the Resolution to be made into the funds and accounts established hereunder shall have been made to the full extent required.

(3) The document authorizing the issuance of the Additional Parity Obligations shall recite that all of the covenants contained in the Resolution will be applicable to such Additional

Parity Obligations.

(4) If the Reserve Fund is funded by a surety bond, no Additional Parity Obligations may be issued without the Bond Insurer's prior written consent if any costs are past due and owing to the municipal bond insurer under the surety bond policy. Further, the City shall maintain at least one times coverage of the City's obligations with respect to repayment of surety bond costs then due and owing.

ENERGY SYSTEM

The Energy System is the City's Electric and Gas System grouped together primarily for the purpose of debt financing. The 1992 General Resolution created the Energy System, which consisted solely at that time of the City's Electric System. The 1998 General Resolution allowed the City to add other utility functions to the Energy System upon making findings that the addition of such utility functions will not impair the ability of the City to comply with such resolutions, and will not materially adversely affect the rights of the Holders of the Prior Obligations and the Bonds, respectively. In 1999, pursuant to the provisions of the 1998 General Resolution, the City Commission approved migration of the City's Gas System from the Consolidated Utility System (CUS) to create the Combined Energy System, for financing purposes only.

Anticipated financing needs for the Energy System for the next five years are:

<u>Issue</u>	<u>Amount</u>	<u>Projected Date</u>
Electric System Revenue	\$110,705,000	March 2004
Gas Energy System Revenue	\$ 7,210,000	March 2004
Electric System Revenue	\$116,740,000	March 2007
Gas Energy System Revenue	\$ 6,042,000	March 2007

Administration

The City has consolidated all of its utility operations under a single Assistant City Manager for Utilities Services. The Utility Services service area consists of Electric, Water & Sewer, Solid Waste, and Gas operations and two support departments. Each of the utility departments is responsible for operational aspects associated with its respective service areas. Utility Business & Customer Services and Energy Services provide support across the five utilities. Utility Business & Customer Services provides centralized support to all five operating utilities for services such as: billing, customer service, connect/disconnect, meter reading, safety and training, environmental, marketing, retail rate design, and utility locates/construction coordination. Energy Services provides administration of the City's Energy Risk Management Program, including: consolidated fuel management and acquisition services for the electric and gas utilities, fuel management and associated transportation services to other utilities on the open market, the management of off-system purchases and sales of electric energy and capacity. In addition, Energy Services provides residential and commercial energy services and account support and retail contracting functions. Other City departments provide other support activities, such as: accounting, payroll, human resources and fleet management. The cost of these services is allocated to the utility operating departments.

Energy Services

The primary purpose of the City's Energy Services Department ("ESD") is to manage the fuels and energy supply portfolios for the City's Energy System. In addition to the traditional roles of fuels and energy acquisition for the utilities, ESD performs marketing and trading of electricity and natural gas in the wholesale market. Historically, acquisitions of natural gas supply involved primarily the utilization of fixed price long-term and short-term forward physical contracts for electricity and natural gas with various energy companies and other utilities. Due to the counterparty credit risk associated with the long-term contracts and diminishing creditworthiness of physical supply providers, the City is gradually transitioning to the use of financial trade based risk management tools in order to protect its customers against future adverse price movements. The City Commission in 2002 approved a formalized Energy Risk Management Program. Further, the City Commission established the Energy Risk Policy Committee (ERPC) for policy development and oversight purposes. The ERPC is

comprised of the City's appointed officials and executive staff from the City's Utility, Financial, and Administrative units. In addition, the City Commission approved utilization of budgeted fuel and energy expense accounts for financial trades within FY 2003, and up to \$20 million from the Rate Stabilization Fund for financial trades beyond the FY 2003 consistent with the approved policy, pre-established market risk tolerances, and the City's budgetary or utility rate objectives.

This new Energy Risk Management Program of the City identifies, measures, monitors, manages, controls and reports the market/base financial risks of the organization on a regular basis. The program mainly focuses on the market and credit risks associated with the City's electric energy production and wholesale business activities. Full implementation of the program is targeted for the second quarter of FY 2003. Under this program, ESD will adhere to the approved policy and will also continue operating under the following guidelines:

- Transactions obligating the City to liquidated damages are not offered.
- Non-performance liability for the City is limited to the transaction's revenue margin.
- Long-term firm transactions are coordinated and reviewed by an Electric and Gas Strategy Group and Energy Business Committee that includes: the Assistant City Manager for Utilities and representatives from Energy Services, Electric, and Gas Operations.
- Wholesale market trading partners' credit worthiness determination, including trade limits, is performed by an independent consultant on a continuous basis.

THE ELECTRIC SYSTEM

General

The City owns, operates and maintains an electric generation, transmission and distribution system that presently supplies electric power and energy to approximately 99,000 customers in a service area consisting of approximately 221 square miles located within Leon County and the City's municipal facilities in Wakulla County. During the Fiscal Year ended September 30, 2002, the City sold 2,513,302 MWh of electric energy to ultimate customers and 92,173 MWh to other utilities and received total operating revenues of \$176,715,594.

The current installed capacity at the Sam O. Purdom Generating Station (the "Purdom Station") is 320 MW. The current installed capacity at the Arvah B. Hopkins Generating Station is 334 MW. The C.H. Corn Hydroelectric Plant (the "C.H. Corn Station") consists of three generating units with a total capacity of 11 MW. In 1977, the City acquired a 1.3333% (11 MW) undivided ownership interest in Crystal River Unit No. 3 ("CR-3"), a nuclear plant operated and owned in part by the Florida Power Corporation ("Florida Power"). The City transferred its ownership interest in CR-3 and the decommissioning trust account balance to Florida Power in September 1999. The terms of the transfer included purchasing equivalent replacement electric capacity (11.4 MW) from Florida Power at a delivered price of \$42 per MW through December 31, 2007, escalating thereafter until 2016.

Management Discussion of Operations

The City has significantly reduced base electric rates since 1994. Prior to an April 2001 rate reduction, electric rates were reduced by \$20 million per year with most of the reduction in the general service and general service large demand classes. The funding for these rate reductions was provided by the reductions in the general fund transfer and by operating cost reductions within the electric utility. In April 2001, the City implemented a \$22.4 million dollar rate reduction. The City ended FY 2002 with a \$2.738 million surplus before transfers and investment earnings. The Electric Operating Reserve had a balance of \$77 million at September 30, 2002.

Continued growth in the City's service territory and an unusually warm summer contributed to moderate growth in retail sales. Retail sales during FY 2002 were 2,513,302 MWh, an increase of 2.8%, over FY 2001. Customer growth was in line with recent years, increasing by 1.8% over FY 2001 to 98,683. The City expects continued growth in customers and retail sales at approximately 2% per year for the next several years.

The City's Electric & Gas Strategic Positioning Plan is a series of initiatives and strategies that position the City's energy utilities for success in a competitive retail market. The plan itself was developed as a result of analysis of the various business practices and service options necessary to position the City for a deregulated electric and gas industry. Staff has continued to have regular workshops with the City Commission to develop and update them on the strategic initiatives. Specific areas of strategic initiatives currently include: Large Customer Relationships, New Business Strategies, Unbundling, Marketing, Technology, Regulatory and Legislative, and Energy Risk Management. These initiatives include a variety of different programs and tasks, some of which are referenced in other parts of this section.

The City continues to monitor changes in the electric utility industry as it prepares for industry restructuring. The electric rate reduction strategy and the continued accrual of operating reserves will position the City competitively while providing a great deal of flexibility to prepay existing indebtedness and directly fund certain capital projects that would otherwise be debt financed. The City is an active participant in State and Federal legislative and regulatory activities related to electric industry restructuring, electric reliability, electric transmission facilities and financing issues that may have an impact on the City and its customers.

As of September 30, 2002 the total principal amount of debt outstanding for the Electric System was \$279,500,000, consisting of the following:

Energy System Refunding Revenue Bonds, Series 2002	\$ 26,360,000
Energy System Refunding Revenue Bonds, Series 1998 A	\$139,655,000
Energy System Revenue Bonds, Series 1998 B	\$ 45,350,000
Energy System Refunding Revenue Bonds, Series 2002	\$ 16,665,000
Sunshine State Loan, 2001	\$ 7,765,000
Sunshine State Loan, 1999	\$ 35,835,000
Sunshine State Loan, Series 2000	\$ 7,870,000

Electric Rates

The City Commission, under existing Florida law, has the exclusive authority to establish the level of electric rates, that is, the amount of revenue to be recovered by the Electric System, subject to the Florida PSC's approval of the City's rate structure.

The City's current electric rates include: a customer charge that varies among customer classes, a demand charge (for large commercial customers), a non-fuel energy charge, and an Energy Cost Recovery Charge (ECRC). The City reviews the actual over or under-recovery of energy cost on a monthly basis and modifies the ECRC, if necessary, on at least a semi-annual basis. All other rates are reviewed periodically for rate level sufficiency and rate structure. The most recent review of rates was the 2001 Electric Rate Study. Based on the results of the study, system rates were reduced by \$22.4 million. As a result of this reduction, the City's rate per 1,000 kWh was \$81.99 in October 2001. In April 2002, the City further reduced its rates driven by successful fuel price mitigation efforts to \$79.34 per 1,000 kWh. Only five municipal utilities in the state had lower rates. Based on the results of the study, the rates are expected to be in place through FY 2005. The 2001 Electric Rate Study also recommended that the fuel and purchased power costs be recovered through a new ECRC referenced above. This was accomplished in October 2002 with the implementation of the City's new PeopleSoft Customer Information System (CIS). The ECRC produces charges to the customer that are the same as those produced by the previous Energy Cost Adjustment (ECA); however, the presentation of charges relative to costs is more accurate.

The reduction in rates was the most recent part of a long-term strategic plan intended to position the electric utility as a viable provider in a potentially competitive market. A principal component of this strategy has been an effort to develop and maintain low rates in advance of any competitive market initiatives in Florida. In addition to competitive base rates, the City also offers a Preferred Customer Electric Service Agreement for our largest customers, which further reduces their rates and ensures a long-term relationship as a City customer. The City's long-term strategic plan will enable us to retain our key customers while maintaining a healthy local government to support the quality of life that is important to the citizens of Tallahassee.

Capital Improvement Program

The City, as part of its annual budget process, adopts a five-year capital improvement program for the Electric Utility. The first year of this program becomes an appropriation and the remaining four years constitute a planning document, which identifies anticipated capital expenditures and the related funding sources.

The 2003 capital budget identifies approximately \$321 million of capital projects for FY's 2003-2007. Approximately \$227 million of such expenditures may be funded from proceeds of new debt to be issued no earlier than 2004. The remaining projected capital expenditures are expected to be funded from charges to customers and from deposits to the renewal and replacement fund maintained by the City.

Long Term Retail Electric Contracts

In the spring of 1999, the City developed a tariff for long-term contracting with all demand metered non-residential electric customers. The tariff, referred to as the “Preferred Customer Electric Service Agreement” (PCES), was approved by the City Commission on April 28, 1999 and by the Florida Public Service Commission on May 4, 1999. Under this Agreement, rate discounts are provided to the customer in return for a ten-year commitment from the customer to use the City as its electricity provider. The rate discounts are 5% for the General Service Demand (GSD) class of non-residential accounts and 7% for the General Service Large Demand (GSLD) accounts. Progress to date and relevant statistics associated with this initiative are as follows:

- Approximately 2,100 demand metered electric accounts are eligible involving around 500 customers.
- Eligible customers comprise nearly 90% of the annual revenue from all non-residential classes on the City’s electric system. About 50% of electric revenue comes from the non-residential sectors.
- Contract proposals and associated economic analyses have been presented to most customers representing approximately 1,400 accounts.
- To date, 421-metered accounts are under the PCES Agreement. These accounts represent revenues of approximately \$43 million, or 48% of the total targeted (“at risk”) revenue of about \$90 million

Transmission and Distribution

The City’s existing transmission system includes approximately 185 circuit miles of transmission lines that are operated at voltages of 230 kV and 115 kV. The 115 kV transmission network forms a 115 kV loop that extends around and through the City limits. Fifteen substations, located at various sites, transform power from the transmission voltage of 115 kV to the distribution network voltage of 12.47 kV. The transmission, distribution and generation facilities are monitored and controlled remotely from the City’s Electric Control Center via line carrier channels, microwave system, and communication lines network.

The City is interconnected with Florida Power at five locations on its system and with The Southern Company (“Southern”) and its operating affiliates at one location.

Fuel Purchases

The City’s fuel supply is primarily natural gas purchased through a portfolio of supply contracts for wellhead supply and delivered through the Florida Gas Transmission Company system under either long-term firm primary or secondary market, and interruptible transportation services agreements. Reliance on long-term physical trade agreements will be gradually decreasing and will be replaced by various financial trade products, as well as intermediate and short-term physical agreements. Fuel oil is the secondary or back-up fuel and is purchased pursuant to annual contracts in order to maintain an 18-day reserve in accordance with policy.

GAS SYSTEM

The City owns, operates and manages a natural gas distribution system in and about the corporate limits of the City. Service has also been extended to surrounding counties. As of September 30, 2002, Tallahassee's gas system had grown to 21,381 customers, which is an increase of 4.8% over the prior year in new natural gas service connections. The City's Gas Utility has continued to experience growth in all of our customer sectors. The residential sector totals 20,332 customers while our commercial customer base now numbers 1,436. The Gas System has maintained one of its only remaining at-risk space-cooling customers, while our interruptible and interdepartmental customer bases have increased by 17 and 47, respectively.

The Gas Utility is responsible for administration, engineering, and field operations of the City's gas system activities. The natural gas system includes 3 gate stations, 17 district regulator stations, 41 miles of high pressure steel pipe, over 252 miles of low pressure distribution steel pipe, and over 347 miles of low pressure high density polyethylene plastic pipe as outlined by the utility's U.S. DOT Annual Calendar Year Report filed in March 2002. The entire gas system complies with the U.S. Department of Transportation, Part 192, and Title 40 of the Code of Federal Regulations; and is under the immediate safety jurisdiction of the Florida Public Service Commission.

Management Discussion of Operations

The City's gas utility management team is focused on providing competitive, efficient and performance based customer services, strategically planning for customer growth and retention, and rapidly improving our operational technologies to be the provider of choice for our local customers. We have a strong financial base, will expand our managed assets by completing our Federally mandated operational qualification program, and will use creative new sales programs.

The total gas utility revenue in FY 2002 is \$19,274,600. This FY 2002 actual revenue represents a \$5,237,050 decrease from FY 2001. Gas utility operating expenses also decreased in 2002 from 2001 by \$5,147,000. These decreases are primarily due to: Moderate Heating Degree Day deficiencies, moderate growth in new service additions, and system fuel revenue decreases. Gas sale consumptions in all categories have declined; however, new service connections increased in all customer categories with the exception of moderate gas service additions in the multi-family sector. Operating income was \$2,561,100. The gas fund operating budgetary income before transfers is \$90,050, or 3%, under FY 2001's operating income before transfers. In accordance with the City's Budgetary and Financing Policy, management authorized a \$2,000,000 transfer to the General fund and \$561,100 transfer to the Gas RR&I fund. The outlook for an inclement winter is expected to improve our revenue in FY 2003. The federal economic growth indicators currently imply that a national market recovery is a near at hand probability, which we expect to be mirrored by local economic growth.

During 2002, the City of Tallahassee Gas Operations has participated with project teams to consider new technologies for an efficient and responsive customer call center, new field dispatching mobile data terminal (MDT) technologies, and improved inventory retrieval and monitoring processes. Our management team has implemented systems to ensure compliance with expected federal and state operator qualification rules. The City has also launched the People Soft customer information and billing system to assist us in being more productive and cost efficient. Our gas utility operation has fulfilled its State of Florida Grant requirements for pilot testing our new clean natural gas.

Gas Rates

Rates set in 1996 have allowed the Gas System to record an end-of-year surplus each year since 1996. During FY 2001, management, with the assistance of the City's rate consultant completed a rate study to determine the sufficiency of the current gas rates. The report concluded that the current Gas System's rates are sufficient, and should suffice in the future pending periodic economic policy re-

views. In addition to the base rate issues, staff presented the new purchased gas adjustment factor to the Commission, which represented an 18.4% reduction in a typical residential customer's bill and a 24.1% reduction in a typical firm-commercial customer's bill. The report also recommended that a long-term firm contract provision be adopted. The rate study was reviewed and certified by the Independent Consultant in November 2001 with the final report presented to the City Commission in February 2002.

Capital Improvement Program

The City, as part of its annual budget process, adopts a five-year capital improvement program for the Gas Utility. The first year of this program becomes an appropriation and the remaining four years constitute a planning document, which identifies anticipated capital expenditures and the related funding sources.

The 2003 capital budget identifies approximately \$18 million of capital projects for FY's 2003-2007. Approximately \$13 million of such expenditures may be funded from proceeds of new debt to be issued no earlier than 2004. The remaining projected capital expenditures are expected to be funded from charges to customers and from deposits to the renewal and replacement fund maintained by the City.

Gas Transportation

With the passage of Federal Energy Regulatory Commission (FERC) Order No. 636 in 1992, interstate gas pipelines were required to restructure their traditional services by unbundling pipeline services and rates. The implementation of this order forced local gas distribution companies (LDCs), including the City, to secure its own gas supply as well as transportation, storage and other services.

The Gas System receives transportation service from SNG and Florida Gas Transmission Company (FGT) pursuant to tariffs and rates that are subject to FERC jurisdiction. The City's contracted firm capacity on SNG is 5,000 MMBtu per day. In April 2002, the City added an additional 5000 MMBtu/day of natural gas transmission capacity during the summer months and an additional 1000 MMBtu/day during the winter months on FGT. This brings the City's total capacity on FGT to 70,000 MMBtu/day (Summer) and 61,000 MMBtu/day (Winter). The additional natural gas pipeline capacity will help the City meet the growing needs of the electric system and its natural gas customers. This together with the switch-ability of the Electric System's generating units to fuel oil and much greater capacity quantities (60,000 to 75,000 MMBtu per day) is sufficient and cost-effective in meeting the Gas System's requirements.

Selected Energy System Statistics

Electric System - Sales to Ultimate Customers, by Customer Class					
For Fiscal Years Ending Sept. 30	1998	1999	2000	2001	2002
<i>Residential</i>					
Avg. Annual Customers	75,344	76,932	78,730	80,000	81,386
Energy Sales (MWh)	947,902	916,905	959,888	975,018	1,000,699
Avg. Annual Use Per Customer (kWh)	12,581	11,918	12,192	12,188	12,296
Avg. Annual Revenue per Customer (\$)	1,089	1,018	1,087	1,167	986
<i>Commercial, Industrial and Interdepartmental</i>					
Avg. Annual Customers	15,400	15,760	16,222	16,570	16,961
Energy Sales (MWh)	1,375,743	1,411,897	1,452,650	1,452,584	1,496,767
Avg. Annual Use Per Customer (kWh)	89,334	89,587	89,548	87,663	88,248
Avg. Annual Revenue Per Customer(\$)	5,627	5,784	6,064	6,559	5,353
<i>Public Street Lighting</i>					
Avg. Annual Customers	309	316	323	328	336
Energy Sales (MWh)	15,372	15,785	16,257	16,108	15,836
Avg. Annual Use Per Customer (kWh)	49,748	49,950	50,332	49,110	47,131
Avg. Annual Revenue per Customer(\$)	3,605	3,553	3,776	4,040	3,196
<i>Total Sales to Ultimate Customers</i>					
Avg. Annual Customers	91,053	93,008	95,275	96,898	98,683
Energy Sales (MWh)	2,339,017	2,344,587	2,428,795	2,443,710	2,513,302
Avg. Annual Use Per Customer (kWh)	25,608	25,208	25,492	25,219	25,468
<i>Off System Sales</i>					
Sales for Resale (MWh)	85,872	131,548	202,295	508,728	92,173
Total Sales (MWh)	2,424,890	2,476,135	2,631,090	2,952,438	2,605,475

Electric System - Selected Operating Costs and Ratios					
For Fiscal Years Ending Sept. 30	1998	1999	2000	2001	2002
<i>Revenue per kWh</i>					
Retail Customers	0.085	0.085	0.089	0.096	0.080
Commercial and Industrial Customers	0.070	0.065	0.068	0.075	0.061
Public Street Light	0.072	0.071	0.075	0.082	0.068
<i>Expenses Per kWh</i>					
Total Operating Expense per kWh	0.0590	0.0572	0.0572	0.0641	61.8160
<i>Financial Ratios</i>					
Debt to Total Assets	0.218	0.403	0.527	0.521	0.483
Operating Ratio	0.767	0.760	0.730	0.812	0.849
Current Ratio	2.259	2.432	2.103	2.485	3.827

(1) Generation expenses for FY 2000 do not include \$4.2 million dollars of deferred fuel costs of which \$2.7 million recognized as expense in FY 2001 and the balance recognized in 2002.

Electric System - General Statistics

For Fiscal Years Ending Sept. 30	1998	1999	2000	2001	2002
Generating Capacity (MW) (Summer)	490	490	429 (1)	661	652
Capacity Purchases (MW) (Summer)	103	103	36 (1)	36	11
Net System Energy Generated (MW)	1,599,369	1,785,077	1,719,939	2,455,047	2,513,302
Net Peak Demand (MW) Summer	530	526	551	522	555
Net Peak Demand (MW) Winter	393	513	497	516	545
Average Residential Monthly Bill	\$89.54	\$84.65	\$90.60	97.18	82.06
Number of Street Lights	14,607	14,886	15,303	15,685	15,929

(1) At time of summer peak demand (7/18/00). Excludes Purdom 8 and peak season purchases made to replace same.

Electric System - Projected Summer Peak Loads and Resources (MW)

For Fiscal Years Ending Sept. 30	2003	2004	2005	2006	2007
Total Generating Capacity	652	652	652	722	722
Total New Generating Capacity (2)	0	0	90	0	50
Capacity Purchases	11	25	11	11	11
Projected Retirements	0	0	-20	0	-48
Total Power Supply Resources	663	677	733	733	735
Projected Net Peak Demand	578	593	605	618	629
Power Supply Resources Available For:					
Reserves and Off System Sales	98	99	146	135	125
System Reserve Margin %	17%	17%	25%	23%	20%

(2) Preliminary resource studies conducted by the City have identified the addition of two 50 MW class combustion turbines in 2005 as part of the least-cost plan.

Gas System - Sales to Ultimate Customers, by Customer Class

For Fiscal Years Ending Sept. 30	1998	1999	2000	2001	2002
<i>Residential (firm)</i>					
Avg. No. of Customers	16,219	17,150	18,317	19,358	20,332
Usage (Mcf)	540,454	466,193	558,016	654,909	585,934
Avg. Sales Per Customer (Mcf)	33	27	30	34	29
<i>Non-residential (firm)</i>					
Avg. No. of Customers	1,322	1,336	1,362	1,402	1,436
Usage (Mcf)	646,743	609,077	627,091	666,273	634,725
Avg. Sales Per Customer (Mcf)	489	456	460	475	442
<i>Interruptible</i>					
Avg. No. of Customers	14	14	18	18	17
Usage (Mcf)	643,965	644,453	847,141	807,159	864,295
Avg. Sales Per Customer (Mcf)	45,998	46,032	47,063	44,842	50,841
<i>Interdepartmental Sales</i>					
Avg. No. of Customers	40	39	41	44	47
Usage (Mcf)	18,103	16,269	18,703	27,607	24,235
Avg. Sales Per Customer (Mcf)	453	417	456	627	516
<i>Total Gas System</i>					
Avg. No. of Customers	17,595	18,539	19,738	20,822	21,832
Usage (Mcf)	1,849,265	1,735,992	2,050,951	2,155,948	2,109,189
Avg. Sales Per Customer (Mcf)	105	94	456	104	97
Miles of Gas Lines	584	604	618	645	670
Heating Degree Days (HDD)	1695	1196	1411	1810	1442

Electric System Ten Largest Retail Customers

Fiscal year ending September 30, 2002

Percent of Total Retail Sales

<i>Customers</i>	<i>Revenue</i>	<i>kWh</i>	<i>Revenue</i>	<i>kWh</i>
State of Florida	\$11,696,957	191,350,340	6.80%	7.61%
Florida State University	10,063,223	192,952,751	5.85%	7.68%
City of Tallahassee	5,310,101	88,056,108	3.09%	3.50%
Florida A & M University	3,003,398	54,196,963	1.74%	2.16%
Leon County School Board	2,904,693	39,962,218	1.69%	1.59%
TMH (Hospital)	1,939,942	36,683,362	1.13%	1.46%
Federal Government	1,583,462	26,872,771	0.92%	1.07%
Leon County	1,273,057	22,684,443	0.74%	0.90%
Publix	1,223,484	22,317,360	0.71%	0.89%
Governor's Square Mall	<u>1,032,241</u>	<u>17,506,800</u>	<u>0.60%</u>	<u>0.70%</u>
TOTAL	\$ 40,030,558	692,583,116	23.26%	27.56%

Gas System Five Largest Customers by Consumption

Fiscal year ending September 30, 2002

Percent of Total Retail Sales

<i>Customers</i>	<i>Revenue</i>	<i>Gas Usage</i>	<i>Revenue</i>	<i>Gas Usage</i>
Florida State University	\$1,549,363	341,284	8.67%	16.18%
Florida A&M University	918,039	367,891	5.13%	17.44%
TMH (Hospital)	570,795	100,084	3.19%	4.75%
Federal Government	373,197	47,328	2.09%	2.24%
State of Florida	<u>506,791</u>	<u>58,099</u>	<u>2.83%</u>	<u>2.75%</u>
TOTAL	\$ 3,918,185	914,686	21.91%	43.37%

Electric Rates

Current (1)**Residential**

Customer Charge - Single Phase Service	\$4.94
Customer Charge - Three Phase Service	\$16.80
Energy Charge per kWh	\$0.04217

General Service Non - Demand

Customer Charge - Single Phase Service	\$6.00
Customer Charge - Three Phase Service	\$22.00
Energy Charge per kWh	\$0.03141

General Service Demand

Customer Charge	\$40.00
Demand Charge per kW	\$7.25
Energy Charge-The first 500 kWh per kW	\$0.00980
Excess kWh per kW @	\$0.00137

General Service Large Demand

Customer Charge	\$40.00
Demand Charge per kW	\$7.25
Energy Charge-The first 500 kWh per kW	\$0.00940
Excess kWh per kW @	\$0.00137

(1) A fuel and purchased power charge is also applied to all kWh sold. The fiscal year 2002 weighted average charge was \$0.03527.

Gas Rates (Effective 10/1/02)

Monthly Rate:

Customer Charge	10/1/2002
Residential Service Per Meter	\$7.00
Nonresidential Service	\$12.00

Interruptible Service:

Small Interruptible Service	\$150.00
Interruptible Service	\$225.00
Large Interruptible Service	\$225.00

Commodity Charge: ⁽¹⁾

Residential Service Per 1000 Cubic Feet	\$0.62824
Nonresidential Service Per 1000 Cubic Feet	\$0.48837

Interruptible Service: (Cents Per 100 cf)

Small Interruptible Service	\$0.17550
Interruptible Service	\$0.13550
Large Interruptible Service	\$0.06590

(1) a fuel charge is also applied to all 100 f sold. As of October 1, 2002 the charge was \$0.50075.

Electric System Revenue Bonds, Debt Service Coverage (in 000s)

For Fiscal Years Ending Sept. 30	1998	1999	2000	2001	2002
Operating Revenues (1)					
Retail Sales	176,054	172,229	185,827	198,503	177,332
Other Operating Sales	5,133	6,825	9,217	5,921	7,419
Sales to Other Utilities	5,406	7,517	11,130	29,884	4,909
Transfer to Operating Reserve	(12,840)	(9,133)	(4,953)	(1,152)	(2,738)
Total Operating Revenue	173,753	177,438	201,221	233,156	186,922
Operating Expenses (2)					
Fuel	51,831	56,599	61,637	106,777	76,457
Purchased Power	34,651	30,199	35,205	25,726	18,820
Other Operating Expense	42,955	40,629	39,100	38,339	44,588
Total Operating Expense	129,437	127,427	135,942	170,842	139,865
Net Revenues from Operations	44,316	50,011	65,279	62,314	47,057
Other Income and Deductions	3,539	2,736	3,256	4,131	12,476
Total Available for Debt Service	47,855	52,747	68,535	66,445	59,533
Total Sr. Lien Debt Service	12,427	16,502	18,592	21,642	15,288
Total Sr. Lien Debt Service Coverage	3.57x	3.20x	3.69x	3.07x	3.89x

(1) Figures shown are not presented in accordance with GAAP, but rather are restated to calculate debt service, based on the provisions of the Electric Revenue Bond Resolution. Revenues available for Debt Service exclude amounts deposited into the Operating Reserve Fund and include amounts transferred from the Operating Reserve Fund.

(2) Exclusive of Depreciation and Amortization.

Gas System Revenue Bonds, Debt Service Coverage (in 000s)

For Fiscal Years Ending Sept. 30	1998	1999	2000	2001	2002
Operating Revenues	14,882	14,104	17,635	24,431	19,181
Total Operating Revenues	14,882	14,104	17,635	24,431	19,181
Operating Expenses	10,175	9,280	12,262	18,315	13,123
Total Operating Expenses	10,175	9,280	12,262	18,315	13,123
Net Operating Revenue	4,707	4,824	5,373	6,116	6,058
Total Pledged Revenue	4,707	4,824	5,373	6,116	6,058
Debt Service	1,462	1,427	1,426	651	1,545
Coverage	3.22x	3.38x	3.77x	9.39x	3.92x

CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM
STATEMENT OF NET ASSETS
SELECTED FINANCIAL DATA
SEPTEMBER 30, 2002
(in thousands)

ASSETS	Electric	Gas	Totals Memorandum Only
Current Assets			
Cash and Cash Equivalents.....	\$ 83,546	\$ 1,242	\$ 84,788
Investments.....	37,074	3	37,077
Securities Lending Collateral.....	29,911	306	30,217
Receivables:			
Accrued Interest.....	651	26	677
Notes.....	6,846	--	6,846
Customers and Others.....	15,468	1,179	16,647
Less: Allowance for Doubtful Accounts.....	(1,274)	(75)	(1,349)
Due from Other Funds.....	635	--	635
Inventory.....	30,790	178	30,968
Total Current Assets.....	203,647	2,859	206,506
Restricted Assets			
Cash and Cash Equivalents.....	42,870	3,368	46,238
Investments.....	18,292	1,548	19,840
Securities Lending Collateral.....	14,759	1,223	15,982
Receivables:			
Other	205	--	205
Accrued Interest.....	217	--	217
Due from Other Governments.....	--	--	--
Total Restricted Assets.....	76,343	6,139	82,482
Noncurrent Assets			
Unamortized Bond Issue Costs.....	1,809	573	2,382
Fixed Assets (Net of Accumulated Depreciation).....	362,529	40,712	403,241
Construction in Progress.....	34,917	3,166	38,083
Total Noncurrent Assets.....	399,255	44,451	443,706
Total Assets.....	\$ 679,245	\$ 53,449	\$ 732,694

CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM
STATEMENT OF NET ASSETS
SELECTED FINANCIAL DATA
SEPTEMBER 30, 2002
(in thousands)

	<u>Electric</u>	<u>Gas</u>	<u>Totals Memorandum Only</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities			
Accounts Payable.....	\$ 4,917	\$ 642	\$ 5,559
Due to Other Funds.....	1	--	1
Compensated Absences.....	1,276	150	1,426
Obligations Under Securities Lending.....	29,911	306	30,217
Customer Contracts Payable.....	1,951	--	1,951
Deferred Revenue.....	2,241	--	2,241
Utility Deposits Payable.....	12,920	80	13,000
Total Current Liabilities.....	53,217	1,178	54,395
Payable From Restricted Assets:			
Obligations Under Securities Lending.....	14,759	1,223	15,982
Retainage Payable and Accounts Payable.....	234	35	269
Total Payable From Restricted Assets.....	14,993	1,258	16,251
Noncurrent Liabilities:			
Loans Payable.....	50,015	10,698	60,713
Advances from Other Funds.....	--	883	883
Compensated Absences.....	1,156	113	1,269
Bonds Payable.....	211,365	16,665	228,030
Unamortized Bond Premium (Discount).....	(678)	135	(543)
Deferment of Loss on Early Retirement of Debt.....	(2,101)	--	(2,101)
Total Noncurrent Liabilities.....	259,757	28,494	288,251
Total Liabilities.....	327,967	30,930	358,897
NET ASSETS			
Investment in Capital Assets, net of related debt.....	140,654	16,953	157,607
Restricted for Debt Service.....	18,292	1,548	19,840
Restricted for Renewal, Replacement, and Improvements....	43,058	3,367	46,425
Unrestricted.....	149,274	651	149,925
Total Net Assets.....	\$ 351,278	\$ 22,519	\$ 373,797

CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
SELECTED FINANCIAL DATA
SEPTEMBER 30, 2002
(in thousands)

	<u>Electric</u>	<u>Gas</u>	<u>Totals Memorandum Only</u>
Operating Revenues:			
Charges for Services:			
Residential Sales.....	\$ 82,459	\$ 7,768	\$ 90,227
Recyclable Sales.....	--	--	--
Commercial and Industrial Sales.....	92,602	10,256	102,858
Public Street and Highway Lighting.....	2,271	--	2,271
Sales for Resale.....	4,909	--	4,909
Surcharge.....	1,413	71	1,484
Late Fees.....	749	70	819
Initiating Service.....	800	90	890
Rentals.....	426	--	426
Cut-ins and Cut-fees.....	1,533	181	1,714
Other.....	2,498	501	2,999
Total Operating Revenues.....	<u>189,660</u>	<u>18,937</u>	<u>208,597</u>
Operating Expenses:			
Personnel Services.....	15,567	1,695	17,262
Fossil Fuel.....	76,457	--	76,457
Power Purchased.....	18,820	--	18,820
Gas Purchased.....	--	8,527	8,527
Contractual Services.....	23,686	2,347	26,033
Materials and Supplies.....	2,905	132	3,037
Other Expenses.....	2,430	422	2,852
Depreciation.....	20,950	1,146	22,096
Amortization.....	245	44	289
Total Operating Expenses.....	<u>161,060</u>	<u>14,313</u>	<u>175,373</u>
Operating Income (Loss).....	<u>\$ 28,600</u>	<u>\$ 4,624</u>	<u>\$ 33,224</u>

CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
SELECTED FINANCIAL DATA
FISCAL YEAR ENDED SEPTEMBER 30, 2002
(in thousands)

	<u>Electric</u>	<u>Gas</u>	<u>Totals</u> <u>Memorandum Only</u>
Non-Operating Revenues (Expenses):			
Interest Revenue.....	\$ 9,270	\$ 288	9,558
Net Increase in the Fair Value of Investments..	2,167	13	2,180
Grant Revenues.....	--	--	--
Other Revenues.....	12,808	378	13,186
Interest Expense.....	(11,284)	(1,008)	(12,292)
Other Expenses.....	(485)	(154)	(639)
Total Non-Operating Revenues (Expenses)	<u>12,476</u>	<u>(483)</u>	<u>11,993</u>
Income (Loss) Before Capital Contributions and Operating Transfers.....	<u>41,076</u>	<u>4,141</u>	<u>45,217</u>
Capital Contributions and Operating Transfers:			
Capital Contributions.....	--	--	--
Operating Transfers In.....	189	15	204
Operating Transfers Out.....	<u>(16,711)</u>	<u>(2,095)</u>	<u>(18,806)</u>
Total Capital Contributions and Operating Transfers.....	<u>(16,522)</u>	<u>(2,080)</u>	<u>(18,602)</u>
Change in Net Assets.....	24,554	2,061	26,615
Net Assets - October 1	326,724	20,458	347,182
Net Assets - September 30	<u>\$ 351,278</u>	<u>\$ 22,519</u>	<u>\$ 373,797</u>

**ENERGY SYSTEM
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED DEBT SERVICE**

Bond Year		\$27,630,000	\$17,680,000	\$143,800,000	\$49,220,000
Ending					
October 1	Total	Series 2002	Series 2001	Series 1998 A	Series 1998 B
2003	\$ 21,499,921	\$ 6,450,375	\$ 1,546,190	\$ 8,237,356	\$ 5,266,000
2004	15,134,221	2,446,275	1,546,390	8,237,556	2,904,000
2005	21,722,271	6,680,525	1,540,390	8,235,356	5,266,000
2006	25,729,646	6,682,500	1,548,390	8,235,756	9,263,000
2007	21,501,446	6,684,100	1,544,790	8,238,556	5,034,000
2008	16,701,926		1,544,120	10,124,806	5,033,000
2009	16,697,166		1,541,110	10,129,056	5,027,000
2010	12,878,665		1,545,690	10,122,975	1,210,000
2011	12,887,325		1,547,350	10,129,975	1,210,000
2012	12,881,650		1,540,850	10,130,800	1,210,000
2013	12,886,538		1,546,725	10,129,813	1,210,000
2014	12,885,513		1,544,025	10,131,488	1,210,000
2015	12,618,063		1,278,025	10,130,038	1,210,000
2016	12,562,963		1,228,025	10,124,938	1,210,000
2017	12,570,963		1,227,750	10,133,213	1,210,000
2018	12,568,413		1,234,750	10,123,663	1,210,000
2019	12,580,275		1,233,750	10,136,525	1,210,000
2020	11,340,138			10,130,138	1,210,000
2021	11,339,738			10,129,738	1,210,000
2022	11,344,375			10,134,375	1,210,000
2023	13,538,100			10,128,100	3,410,000
2024	15,205,675			10,125,675	5,080,000
2025	15,207,150			10,126,150	5,081,000
2026	15,210,575			10,128,575	5,082,000
2027	15,219,500			10,137,000	5,082,500
2028	15,209,250			10,127,250	5,082,000
Totals	<u>\$ 389,921,466</u>	<u>\$ 28,943,775</u>	<u>\$ 24,738,320</u>	<u>\$ 253,898,871</u>	<u>\$ 82,340,500</u>

\$27,630,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2002

Dated: August 1, 2002

Purpose

To refund the City's outstanding Electric System Refunding Revenue Bonds, Series 1992 A.

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System and on parity with its Energy System Refunding Revenue Bonds, Series 1998 A, Energy System Revenue Bonds, Series 1998 B, and Energy System Refunding Revenue Bonds, Series 2001.

Form

\$27,630,000 Serial Bonds, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2002.

Agents

Registrar – Wachovia Bank, NA, Jacksonville, Florida.

Paying Agent – Wachovia Bank, NA, Jacksonville, Florida.

Bond Counsel – Bryant, Miller and Olive, P.A., Tallahassee, Florida.

Ratings

Moody's – Aaa (A1 underlying)

Standard and Poors – AAA (AA- underlying)

Fitch – AAA (AA- underlying)

\$27,630,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2002

Summary of Remaining Debt Service Requirements

Bond Year Ending	Interest Rate	Principal	Interest	Total
2003	3.00%	\$ 5,670,000	\$ 780,375	\$ 6,450,375
2004	1.50%	1,830,000	616,275	2,446,275
2005	2.50%	6,110,000	570,525	6,680,525
2006	2.75%	6,280,000	402,500	6,682,500
2007	3.00%	6,470,000	214,100	6,684,100
Totals		\$ 26,360,000	\$ 2,583,775	\$ 28,943,775

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\$17,680,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2001

Dated: May 1, 2001

Purpose

To refund a portion of the City's outstanding Consolidated Utility System Revenue Bonds attributable to the Gas System to allow the Gas System to become part of the City's combined Energy System.

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System on a subordinated basis to the City's outstanding Junior Lien Electric System Revenue Bonds, Series 1992 A, (the "Minibonds") and its Electric System Refunding Revenue Bonds, Series 1992 A, and on parity with its Energy System Refunding Revenue Bonds, Series 1998 A, and Energy System Revenue Bonds, Series 1998 B.

Form

\$14,325,000 Serial Bonds, \$3,355,000 5.00% Term Bonds due October 1, 2019, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2001.

Agents

Registrar – Wachovia Bank, NA, Jacksonville, Florida.

Paying Agent – Wachovia Bank, NA, Jacksonville, Florida.

Bond Counsel – Bryant, Miller and Olive, P.A., Tallahassee, Florida.

Ratings

Moody's – Aaa (A1 underlying)

Standard and Poors – AAA (AA- underlying)

Fitch – AAA (AA- underlying)

Call Provisions

Optional Redemption

The Series 2001 Bonds maturing on or prior to October 1, 2016, are not subject to optional redemption prior to the maturity thereof. The Series 2001 Bonds maturing October 1, 2019, are subject to redemption prior to maturity on or after October 1, 2011, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) during the following redemption periods at the following redemption prices (plus accrued interest on the principal amount, if any):

<u>Redemption period (both dates inclusive)</u>	<u>Redemption Prices</u>
October 1, 2011 through September 30, 2012	101%
October 1, 2012 and thereafter	100%

Mandatory Redemption

The Series 2001 Bonds that mature on October 1, 2019, will be subject to mandatory redemption, by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2017, and on each October 1 thereafter in the following principal amounts in the years specified:

<u>Year</u>	<u>Amount</u>
2017	\$ 1,060,000
2018	\$ 1,120,000
2019 (final maturity)	\$ 1,175,000

\$17,680,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2001

Summary of Remaining Debt Service Requirements

Bond Year Ending	Interest Rate	Principal	Interest	Total
2003	4.00%	\$ 745,000	\$ 801,190	\$ 1,546,190
2004	4.00%	775,000	771,390	1,546,390
2005	4.00%	800,000	740,390	1,540,390
2006	4.00%	840,000	708,390	1,548,390
2007	4.10%	870,000	674,790	1,544,790
2008	4.20%	905,000	639,120	1,544,120
2009	4.30%	940,000	601,110	1,541,110
2010	4.40%	985,000	560,690	1,545,690
2011	5.00%	1,030,000	517,350	1,547,350
2012	5.50%	1,075,000	465,850	1,540,850
2013	5.50%	1,140,000	406,725	1,546,725
2014	5.50%	1,200,000	344,025	1,544,025
2015	5.50%	1,000,000	278,025	1,278,025
2016	5.50%	1,005,000	223,025	1,228,025
2017	5.00% (1)	1,060,000	167,750	1,227,750
2018	5.00% (2)	1,120,000	114,750	1,234,750
2019	5.00% (3)	1,175,000	58,750	1,233,750
Totals		\$ 16,665,000	\$ 8,073,320	\$ 24,738,320

(1) Term bonds maturing 2017

(2) Term bonds maturing 2018

(3) Term bonds maturing 2019

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\$143,800,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 1998 A

Dated: November 1, 1998

Purpose

To refund the City's outstanding Electric System Revenue Bonds, Series 1992 B and its Sunshine State Financing Commission loan dated April 10, 1997 and to fund certain transmission and distribution capital improvements to the City's Electric System.

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Electric System on a subordinated basis to the City's outstanding Junior Lien Electric System Revenue Bonds, Series 1992 A (the "Minibonds") and its Electric System Refunding Revenue Bonds, Series 1992 A.

Form

\$64,970,000 Serial Bonds, \$19,940,000 4.75% Term Bonds due October 1, 2021, \$40,050,000 4.75% Term Bonds due October 1, 2026, and \$18,840,000 5.00% Term Bonds due October 1, 2028, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1 commencing April 1, 1999.

Agents

Registrar - Wachovia Bank, NA, Jacksonville, Florida.

Paying Agent - Wachovia Bank, NA, Jacksonville, Florida.

Trustee - Wachovia Bank, NA, Jacksonville, Florida.

Bond Counsel - Bryant, Miller and Olive, P.A., Tallahassee, Florida.

Insurer - Financial Security Assurance, Inc., New York, New York (bonds maturing 2000-2018, inclusive; 2026 and 2028); Ambac Assurance Corporation, New York, New York (bonds maturing 2021).

Ratings

Moody's - Aaa (insured); A1 (underlying)

Standard and Poors - AAA (insured); AA- (underlying)

Fitch - AAA (insured); AA- (underlying)

Call Provisions

Optional Redemption

The Series 1998 A Bonds maturing prior to October 1, 2016 are not subject to optional redemption prior to the maturity thereof. The Series 1998 A Bonds maturing on or after October 1, 2016, are subject to redemption prior to maturity on or after October 1, 2008, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) during the following redemption periods at the following redemption prices (plus accrued interest on the principal amount, if any):

<u>Redemption period (both dates inclusive)</u>	<u>Redemption Prices</u>
October 1, 2008 through September 30, 2009	101%
October 1, 2009 and thereafter	100%

Mandatory Redemption

The Series 1998 A Bonds that mature on October 1, 2021 will be subject to mandatory redemption, by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2019 and on each October 1 thereafter in the following principal amounts in the years specified:

<u>Year</u>	<u>Amount</u>
2019	\$ 6,345,000
2020	\$ 6,640,000
2021(final maturity)	\$ 6,955,000

The Series 1998 A Bonds that mature on October 1, 2026 will be subject to mandatory redemption, by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2022 and on each October 1 thereafter in the following principal amounts in the years specified:

<u>Year</u>	<u>Amount</u>
2022	\$ 7,290,000
2023	\$ 7,630,000
2024	\$ 7,990,000
2025	\$ 8,370,000
2026 (final maturity)	\$ 8,770,000

The Series 1998 A Bonds that mature on October 1, 2028 will be subject to mandatory redemption, by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2027 and on October 1, 2028 in the following principal amounts in the years specified.

<u>Year</u>	<u>Amount</u>
2027	\$ 9,195,000
2028 (final maturity)	\$ 9,645,000

Special Mandatory Redemption

In the event the City sells or disposes of all or a portion of the Energy System and such sale or disposition will, in the opinion of Bond Counsel, absent a redemption of all or a portion of the Series 1998 A Bonds, adversely effect the exclusion of interest on the Series 1998 A Bonds from the gross income of the holders thereof for purposes of Federal income taxation, all or a portion of the Series 1998 A Bonds shall be subject to a special mandatory redemption at the prices (expressed as a percentage of par) set forth below, plus accrued interest to the redemption date; provided that with respect to Series 1998 A Bonds maturing in the years 2007 and 2008 and the years 2010 through and including 2015, such price shall be the greater of the prices set forth below or the accreted values shown in Appendix I of the Series 1998 A Official Statement plus accrued interest to the redemption date. In the event less than all of the Series 1998 A Bonds are subject to such special mandatory redemption, the City shall select the Series 1998 A Bonds to be subject to redemption in such manner as it shall so determine. In the event the Series 1998 A Bonds are subject to optional redemption as described above, the City may utilize such optional redemption provisions in lieu of the Special Mandatory Redemption.

<u>Redemption Period</u>	<u>Redemption Price</u>
October 1, 1999 to September 30, 2000	105 %
October 1, 2000 to September 30, 2001	104.5
October 1, 2001 to September 30, 2002	104
October 1, 2002 to September 30, 2003	103.5
October 1, 2003 to September 30, 2004	103
October 1, 2004 to September 30, 2005	102.5
October 1, 2005 to September 30, 2006	102
October 1, 2006 to September 30, 2007	101.5
October 1, 2007 to September 30, 2008	101
October 1, 2008 to September 30, 2009	100.5
October 1, 2009 and thereafter	100

\$143,800,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 1998A

Summary of Remaining Debt Service Requirements

Bond Year Ending	Interest Rate	Principal	Interest	Total
2003	4.00%	\$ 1,495,000	\$ 6,742,000	\$ 8,237,000
2004	4.00%	1,555,000	6,683,000	8,238,000
2005	4.00%	1,615,000	6,620,000	8,235,000
2006	4.00%	1,680,000	6,556,000	8,236,000
2007	4.50%	1,750,000	6,489,000	8,239,000
2008	5.00%	3,715,000	6,410,000	10,125,000
2009	4.13%	3,905,000	6,224,000	10,129,000
2010	5.00%	4,060,000	6,063,000	10,123,000
2011	5.25%	4,270,000	5,860,000	10,130,000
2012	5.25%	4,495,000	5,636,000	10,131,000
2013	5.25%	4,730,000	5,400,000	10,130,000
2014	5.25%	4,980,000	5,151,000	10,131,000
2015	5.25%	5,240,000	4,890,000	10,130,000
2016	4.75%	5,510,000	4,615,000	10,125,000
2017	4.75%	5,780,000	4,353,000	10,133,000
2018	4.75%	6,045,000	4,079,000	10,124,000
2019	4.75%	6,345,000	3,791,000	10,136,000
2020	4.75%	6,640,000	3,490,000	10,130,000
2021	4.75%	6,955,000	3,175,000	10,130,000
2022	4.75%	7,290,000	2,844,000	10,134,000
2023	4.75%	7,630,000	2,498,000	10,128,000
2024	4.75%	7,990,000	2,136,000	10,126,000
2025	4.75%	8,370,000	1,756,000	10,126,000
2026	4.75%	8,770,000	1,359,000	10,129,000
2027	5.00%	9,195,000	942,000	10,137,000
2028	5.00%	9,645,000	482,000	10,127,000
Totals		<u>\$ 139,655,000</u>	<u>\$ 114,244,000</u>	<u>\$ 253,899,000</u>

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\$49,220,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REVENUE BONDS, SERIES 1998 B

Dated: November 1, 1998

Purpose

To fund a portion of the costs of construction of planned generation capital improvements to the City's Electric System.

Security

The Bonds are payable solely from and secured by a lien and pledge of the net revenues of the City's Electric System on a subordinated basis to the City's outstanding Junior Lien Electric System Revenue Bonds, Series 1992 A (the "Minibonds") and its Electric System Refunding Revenue Bonds, Series 1992 A.

Form

\$25,020,000 Serial Bonds, and \$24,200,000 5.05% Term Bonds due October 1, 2028. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest payable semi-annually on each April 1 and October 1 commencing April 1, 1999.

Agents

Registrar - Wachovia Bank, NA, Jacksonville, Florida.

Paying Agent - Wachovia Bank, NA, Jacksonville, Florida.

Trustee - Wachovia Bank, NA, Jacksonville, Florida.

Bond Counsel - Bryant, Miller and Olive, P.A., Tallahassee, Florida.

Consulting Engineer - R.W. Beck and Associates, Orlando Florida.

Insurer - Financial Security Assurance, Inc., New York, New York.

Ratings

Moody's - Aaa (insured); A1 (underlying)

Standard and Poors - AAA (insured); AA- (underlying)

Fitch - AAA (insured); AA- (underlying)

Call Provisions

Optional Redemption

The Series 1998 B Bonds maturing on and prior to October 1, 2007 are not subject to optional redemption prior to the maturity thereof. The Series 1998 B Bonds maturing October 1, 2028, are subject to redemption prior to maturity on or after October 1, 2008, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) during the following redemption periods at the following redemption prices (plus accrued interest on the principal amount, if any):

<u>Redemption Dates (both inclusive)</u>	<u>Redemption Prices</u>
October 1, 2008 through September 30, 2009	101%
October 1, 2009 and thereafter	100%

Mandatory Redemption

The Series 1998 B Bonds that mature on October 1, 2028 will be subject to mandatory redemption, by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2023 and on each October 1 thereafter in the following principal amounts in the years specified:

<u>Year</u>	<u>Amount</u>
2023	\$ 2,200,000
2024	\$ 3,980,000
2025	\$ 4,180,000
2026	\$ 4,390,000
2027	\$ 4,610,000
2028 (final maturity)	\$ 4,840,000

Special Mandatory Redemption

In the event the City sells or disposed of all or a portion of the Energy System and such sale or disposition will, in the opinion of Bond Counsel, absent a redemption of all or a portion of the Series 1998 B Bonds, adversely effect the exclusion of interest on the Series 1998 B Bonds from the gross income of the holders thereof for purposes of Federal income taxation, all or a portion of the Series 1998 A Bonds shall be subject to a special mandatory redemption at the prices (expressed as a percentage of par) set forth below, plus accrued interest to the redemption date. In the event less than all of the Series 1998 B Bonds are subject to such special mandatory redemption, the City shall select the Series 1998 B Bonds to be subject to redemption in such manner as it shall so determine.

<u>Redemption Period</u>	<u>Redemption Price</u>
October 1, 1999 to September 30, 2000	105 %
October 1, 2000 to September 30, 2001	104.5
October 1, 2001 to September 30, 2002	104
October 1, 2002 to September 30, 2003	103.5
October 1, 2003 to September 30, 2004	103
October 1, 2004 to September 30, 2005	102.5
October 1, 2005 to September 30, 2006	102
October 1, 2006 to September 30, 2007	101.5
October 1, 2007 to September 30, 2008	101
October 1, 2008 to September 30, 2009	100.5
October 1, 2009 and thereafter	100

\$49,220,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REVENUE BONDS, SERIES 1998 B

Summary of Remaining Debt Service Requirements

Bond Year Ending	Interest Rate	Principal	Interest	Total
2003	4.00%	\$ 3,210,000	\$ 2,056,000	\$ 5,266,000
2004	4.00%	7,335,000	1,928,000	9,263,000
2005	4.00%	3,400,000	1,634,000	5,034,000
2006	4.00%	3,535,000	1,498,000	5,033,000
2007	4.00%	3,670,000	1,357,000	5,027,000
2008	5.00%	-	1,210,000	1,210,000
2009	5.00%	-	1,210,000	1,210,000
2010	5.00%	-	1,210,000	1,210,000
2011	5.00%	-	1,210,000	1,210,000
2012-2028	5.00%	24,200,000	17,927,000	42,127,000
Totals		\$ 45,350,000	\$ 31,240,000	\$ 76,590,000

ENERGY SYSTEM SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

This Summary of Certain Provisions of the Resolution is subject in all respects to the more complete information and definitions contained in Resolution No. 98-R-0048 adopted on September 23, 1998, as amended by Resolution No. 98-R-0056 adopted on October 15, 1998, as amended and supplemented from time to time (the "General Resolution"). This Summary of Certain Provisions of the Resolution should not be considered to be a complete statement of the facts material to making any investment decision.

The City of Tallahassee, Florida (the "City") currently has outstanding its \$143,800,000 Energy System Refunding Revenue Bonds, Series 1998 A, \$49,220,000 Energy System Revenue Bonds, Series 1998 B, \$17,380,000 Energy System Refunding Revenue Bonds, Series 2001 and \$27,630,000 Energy System Refunding Revenue Bonds, Series 2002 (collectively, the "Bonds").

Pledged Revenues

"Net Revenues" are defined in the General Resolution to mean all Revenues or Gross Revenues of the Energy System after deduction of the Cost of Operation and Maintenance.

"Pledged Revenues" shall mean (i) the proceeds of the sale of any Series of Bonds, subject to application as provided in the General Resolution, (ii) moneys in all funds and accounts established under the General Resolution (except the Rebate Fund), subject to application as provided therein and (iii) the Net Revenues of the System.

As used in the General Resolution, the term "Energy System" or "System" shall mean the complete combined electric and power supply system for the production, supply, distribution and sale of electricity now owned, operated and maintained or caused to be operated and maintained by the City and all electric products, generation, transmission, distribution, general plant, fuel inventory and any other related facilities any mine, well, pipeline, plant, structure or other facility for the development, production, manufacture, storage, transportation, fabrication or processing of fossil, nuclear or other fuel of any kind, the acquisition, distribution and sale of natural gas, together with any and all improvements, extensions and additions thereto hereafter constructed or acquired and any joint venture or ownership facility or any interest therein or any right to use the capacity from any facilities or services thereof. Upon compliance with certain provisions of the General Resolution, the term "System" shall be deemed to include other utility functions added to the System, such as the providing of water and wastewater services, the providing of cable television services, the providing of telecommunication services or other utility functions that are, in accordance with Prudent Utility Practice, reasonably related to the services provided by the System.

The gas system was merged with the Energy System pursuant to Resolution No. 01-R-0024 adopted on April 11, 2001.

Disposition of Revenues

The Bonds are special obligations of the City payable solely from and secured solely (except for any additional source of payment or security specifically pledged therefore) by the Pledged Revenues, to the extent and in the manner provided in the General Resolution. Such Pledged Revenues are hereby pledged for the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the General Resolution, subject only to the provisions of the General Resolution requiring or permitting the application thereof for the purposes and on the terms and conditions set forth in the General Resolution.

The City covenants and agrees with the Holders from time to time of the Bonds that on and after the issuance of any Series of Bonds, and for so long as any Bonds shall be Outstanding, it will pay, or cause to be paid, into the Revenue Fund, as promptly as practicable after receipt thereof, all of the Revenues derived from the operation of the System (except the Revenues and other amounts expressly required or permitted by the General Resolution to be credited to, or deposited in, any other fund or account). The City covenants and agrees that the Revenue Fund and all moneys on deposit therein shall be trust funds in the hands of the City and shall be used and applied, except as otherwise expressly permitted by the General Resolution, only in the manner and for the purposes provided for therein and summarized below.

The Pledged Revenues shall immediately be subject to the lien of the General Resolution without any physical delivery thereof or further act, and the lien thereon shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City. Such funds may be commingled as provided in the General Resolution without destroying the lien and pledge created by the General Resolution. All funds and accounts created under the General Resolution shall be held in trust by the City Treasurer-Clerk (or such other officer as shall succeed to the duties of such City Treasurer-Clerk) for the benefit of the Holders of the Bonds and Subordinated Debt issued under the General Resolution.

All Revenues at any time remaining on deposit in the Revenue Fund, after payments of Cost of Operation and Maintenance, shall be applied and allocated only in the following manner and in the following order of priority:

(1) The City shall deposit into the Debt Service Fund no later than five (5) days prior to each Debt Service Payment Date, the following identified sums together with any deficiencies for prior payments:

Such sum as will be sufficient to pay (i) all interest coming due on all Outstanding Bonds on the next Debt Service Payment Date, plus the interest component of any Parity Contract Obligation together with any fees and charges of the Paying Agents and Registrars therefore, (ii) the principal amount of the Bonds which will mature and come due on such Debt Service Payment Date plus the principal component of any Parity Contract Obligation and (iii) any Amortization Installment established for the mandatory redemption of Outstanding Bonds on such Debt Service Payment Date. Provided, however, that such deposits shall not be required to be made to the extent that money on deposit within such Debt Service Fund is sufficient for such purpose. Moneys in the Debt Service Fund may be used only for the purposes set forth above.

(2) To the extent required by any Series Resolution, the City shall next deposit to any debt service reserve fund amounts required to be deposited therein pursuant to such Series Resolution.

(3) From the moneys remaining in the Revenue Fund, the City shall next deposit into the Subordinated Debt Service Fund an amount required to be paid as provided in the General Resolution or ordinance of the City authorizing such Subordinated Debt for principal, interest, mandatory redemption payments, if any, and debt service reserve payments, if any, on Subordinated Debt, but for no other purposes.

(4) The balance of any monies remaining in the Revenue Fund at the end of each month after the above required applications and allocations have been made may be used for any lawful purpose of the City, provided that prior to any withdrawal pursuant to this paragraph (4), the City shall have determined, taking into account other considerations, anticipated future receipts of Gross Revenues or Available Funds, that the funds to be so withdrawn are not needed for the purposes set forth in paragraphs (1), (2) or (3) above. Amounts paid out, or withdrawn pursuant to this paragraph (4) shall be free and clear of the lien and pledge created by the General Resolution.

Parity Test for the Issuance of Bonds and Parity Contract Obligations

The City may, at any time, or from time to time, issue Bonds or enter into Parity Contract Obligations payable as to principal and interest from the Pledged Revenues, only upon the conditions and in the manner provided in the General Resolution and summarized below.

(A) The City shall not be in default in performing any of the covenants and obligations assumed under the General Resolution, and all payments shall have been made into the funds and accounts as provided therein to the full extent required unless such default shall be cured through the application of the proceeds of the Bonds proposed to be issued;

(B) The City shall have in the Fiscal Year preceding the issuance of the proposed obligations met the rate covenant as provided in the General Resolution;

(C) The City shall have obtained a certificate from an independent consultant showing that the annual Net Revenues of the System in each of the full Fiscal Years in the period specified in the next sentence, based on operations and price levels estimated to exist at such time, are projected to be in the aggregate at least 1.00 times the estimated Debt Service Requirement on all Outstanding Bonds, the Prior Obligations and all Bonds proposed to be issued with respect to each project and together with Available Funds are projected to be in the aggregate at least 1.30 times the estimated Debt Service Requirement on all Outstanding Bonds, the Prior Obligations and all Bonds proposed to be issued with respect to each project. As used herein, the term "Available Funds" shall mean revenues or other funds of the System, other than Gross Revenues, which are legally available for the payment of the Bonds, but not including the proceeds of the Bonds or Subordinated Debt. The period to be covered by such certificate shall be the period beginning with the Fiscal Year in which the proposed obligations are to be issued and ending with the later of (a) the end of the third Fiscal Year after such proposed obligations are to be issued (including the Fiscal Year in which the Bonds are issued whether or not a full fiscal year), (b) the first full Fiscal Year in which less than ten per centum (10%) of the interest on the obligations proposed to be issued with respect to such project is estimated to be funded from the proceeds of such obligations, or (c) the second full Fiscal Year after the estimated commercial operation of any such project or after such project for which the obligations are proposed to be issued is otherwise placed in service or put to beneficial use of the System. In preparing the certificate required in the General Resolution, the independent consultant may reflect such adjustments in the projections as it deems reasonable or upon sources of information believed by it to be reliable. Such adjustments may include, but shall not be limited to, any or all of the following: (i) any changes in the then existing rates, fees, rentals or other charges from the operation of the System and the projects under construction or to be constructed or acquired as have been agreed to or adopted formally by the City, or as affected by executed interchange agreements or contracts with other parties; (ii) any increase in rates or charges required in any year for which the projections in the certificates have been prepared that the City will be required to adopt in order to meet the rate covenants as provided in the General Resolution; (iii) any increase in rates or charges required in any year to comply with any ordinance setting forth a formula for establishing transfers from revenues of the System to the City's general fund; (iv) the estimated change in annual Net Revenues to be derived from the operation of any additional projects or acquisition anticipated to be accomplished from previous financings or from the proceeds of all Bonds proposed to be issued with respect to each such project or acquisition.

The City need not comply with the provisions of any other paragraph of this subsection (c) in the issuance of Bonds if and to the extent the City shall have obtained a certificate from an independent certified public accountant which shall state that for any twelve (12) consecutive months out of the last twenty-four (24) months that Net Revenues shall have been at least 1.00 times the estimated Debt Service Requirement on all Outstanding Bonds, Prior Obligations and all Bonds proposed to be issued and together with Available Funds shall have been at least 1.30 times

the estimated Debt Service Requirement on all Outstanding Bonds, Prior Obligations and all Bonds proposed to be issued.

The City need not comply with the provisions of any other paragraph of this subsection (c) in the issuance of Bonds if and to the extent the Bonds to be issued are refunding bonds, that is, delivered in lieu of or in substitution for, or to provide for the payment of one or more Series of Bonds or Prior Obligations, or portions thereof.

The City need not comply with the provisions of any other paragraph of this subsection (c) in the issuance of Bonds if and to the extent the Bonds to be issued are for the purpose of providing any necessary additional funds required for completion of any improvements to the System ("Completion Bonds") if originally financed pursuant to this subsection or originally financed with the proceeds of Prior Obligations provided that such Completion Bonds for which the City need not comply with the provision of such first paragraph of this subsection may not exceed 10% of the total principal amount of Bonds estimated to be required for such improvements to the System at the time of issuance of the initial Series of Bonds to finance such improvements.

Rate Covenant

The City will enact a rate ordinance and thereby will fix, establish and maintain such rates, tolls, rents and other fees and charges for the use of the System and revise the same from time to time, whenever necessary, as will always provide Net Revenues in each Fiscal Year sufficient to pay one hundred per centum (100%) of the total Debt Service Requirement on all Outstanding Bonds and the Prior Obligations and together with Available Funds, as defined above, will be sufficient to pay one hundred thirty-per centum (130%) of the total Debt Service Requirement on all Outstanding Bonds and the Prior Obligations. The City also agrees that Net Revenues in each Fiscal Year will be adequate to pay one hundred per centum (100%) of all other payments, and allocations and applications of revenues required by the General Resolution, including payments to be made from the Subordinated Debt Service Fund. The City will comply with such additional and supplemental covenants with respect to the rates for the services of the System as may be adopted by any Series Resolution. In the event the City has entered into a Qualified Agreement with a Qualified Provider, payments to be made from the Subordinated Debt Service Fund shall only include payments required to be made by the City after taking into consideration amounts paid to or owed by the City pursuant to such Qualified Agreement.

Disposition of All or a Portion of The Energy System

(A) The Energy System may be sold or otherwise disposed of as a whole or substantially as a whole, only if the net proceeds to be realized, together with other moneys available for such purpose, shall be sufficient fully to retire all of the Prior Obligations and all of the Outstanding Bonds issued pursuant to the General Resolution and all interest thereon to their respective dates of maturity or earlier redemption dates. The proceeds from such sale or other disposition of the Energy System shall immediately be deposited first in the Debt Service Fund and shall be used only for the purpose of paying the principal of and interest on the Bonds as the same shall become due, or the redemption of callable Bonds, or the purchase of Bonds at a price not greater than the redemption price of said Bonds, or, if the Bonds are not then redeemable prior to maturity, at prices not greater than the redemption price of such Bonds on the next ensuing redemption date.

(B) The foregoing provision notwithstanding, the City shall have and hereby reserves the right to sell, lease, exchange or otherwise dispose of any of the tangible property or ownership interest in tangible property comprising a part of the Energy System in the following manner, if any one of the following conditions exist: (i) such property is not necessary for the operation of the

Energy System or (ii) such property is not useful in the operation of the Energy System or (iii) such property is not profitable in the operation of the Energy System.

Prior to any sale, lease, exchange or other disposition of said property, the officer of the City charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the Energy System for which disposition is sought, shall determine that such property comprising a part of such Energy System is either no longer necessary, useful or profitable in the operation thereof.

(C) The City may sell, lease, exchange or otherwise dispose of tangible property or an ownership interest in tangible property comprising a part of the Energy System provided the City Manager or other duly authorized officer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the Energy System for which disposition is sought makes a finding in writing, adopted and confirmed by resolution of the City, determining that (i) such sale, lease, exchange or other disposition will not adversely affect the City's ability to comply with the provisions of the General Resolution.

(D) Notwithstanding any other provision of the General Resolution to the contrary, the City may transfer ownership and/or operation of all or a portion of the Energy System to any public body authorized by the laws of the State to own and/or operate such Energy System or portion thereof on an installment sale basis provided that the City (i) has received an opinion of Bond Counsel stating the federal income tax exemption of the interest on the Bonds will not be affected and has received an opinion of Bond Counsel stating that such sale is not prohibited by any applicable Florida law, and (ii) the City shall have adopted a resolution to the effect that, based upon such certificates and opinions of its independent consultants, independent certified public accountants, Bond Counsel, financial advisors or other appropriate advisors as the City shall deem necessary, desirable or appropriate, such transfer will not adversely affect the City's ability to comply with the provisions of the Energy Resolution.

In the event the City elects to transfer all of the assets of the Energy System to a public body as described above and such public body shall operate the Energy System as a separate enterprise fund separate and apart from other activities of such governmental unit, the City shall no longer have any obligations under the General Resolution provided that at the time of such transfer (i) the rating on the Bonds (without regard to any Credit Facility in effect) by each nationally recognized rating agency then rating the Bonds shall not be reduced and (ii) the purchaser thereof shall have assumed all obligations under the General Resolution.

(E) Except as provided in subsection (A) above, the net proceeds realized from the disposal of all or a portion of the Energy System may be used for any lawful purpose of the City.

THE CONSOLIDATED UTILITY SYSTEM

The Consolidated Utility System refers to the City's Water and Sewer utilities and the Stormwater Drainage System, grouped together primarily for the purpose of debt financing. The Consolidated Utility System Revenue Bonds Authorizing Resolution (the "Resolution") provides for other utility functions to be added to the definition of Consolidated Utility System, provided certain requirements are met, as necessary and appropriate. As of January 2003, no such additional utility functions have been added, nor is the City currently considering any additions. As described under "The Energy System," the City completed the transfer of its Natural Gas Utility, for financing purposes, to form, with the Electric System, the Combined Energy System.

The City has exclusive authority to provide water and sewer services to all customers within the corporate City limits. In addition, the City is a provider of water and sewer services to portions of Leon County and, to a limited degree, in Wakulla County. The City's Stormwater Drainage System covers the 98.47 square miles within the City limits.

Anticipated financing needs for the Consolidated Utility System for the next five years are:

<u>Issue</u>	<u>Amount</u>	<u>Projected Date</u>
Consolidated Utility System Revenue	\$13,985,000	March 2004
Consolidated Utility System Revenue	\$11,245,000	March 2007

Rate Setting

The City Commission is vested with the sole authority to establish water, sewer, and stormwater rates for the facilities and other services afforded by the Consolidated Utility and Stormwater Drainage Systems, subject to Section 180.191, Florida Statutes. This provision establishes a limitation on the differential that may be charged to customers outside of the municipal boundaries as opposed to those within the municipal boundaries.

The City does not retain consulting engineers to assist in setting rates for the Stormwater Drainage System. The City Commission establishes stormwater drainage fees based on an amount deemed sufficient to cover the system's projected operational, maintenance, and capital requirements.

The City's financing policy is to fund general government services from various fees and charges, entitlements from other governmental agencies, taxes, and transfers from utility revenues. The City has established a targeted transfer from its various utilities to help fund these general government services. These transfer requirements are a factor in setting the City's water and sewer rates and charges. There is no transfer requirement with respect to the Stormwater Drainage System.

In order to insure that rates and charges are sufficient to meet the rate covenant as set forth in the Resolution and to provide adequate revenues to fund the Five-Year Capital Improvement Program and other system requirements, the City has established a process of reviewing the rates and charges for the Utility System, separately for each of the utilities, on a biennial basis. Pursuant to the Resolution, which requires that rates and charges for the Utility System shall not be changed except upon the recommendation of the Consulting Engineer, the City has retained the firm of R.W. Beck to assist the City in performing the rate studies for the Water and Sewer systems, as well as for various other utility matters. The consultant is authorized to analyze expenses and other system requirements for each of the following two years and to recommend rates to be effective at the beginning of each of those years. The Commission approves rates through adoption of a rate ordinance after advertising and conducting public hearings. Historically, the ordinance implementing the findings of the rate study and the public hearing process has provided, to the extent needed, for implementation of the changes in rates for both the first and second years of the study period.

WATER SYSTEM

The City owns and operates a water system, which currently serves approximately 70,700 connections in the City, Leon County, and Wakulla County. The City also wholesales water to the small city of St. Marks in Wakulla County. Water system operations include water production (100% groundwater supply), elevated storage, and water distribution including metering and customer service. Approximately 11.1 billion gallons of water was pumped from a total of 28 water wells in FY 2002.

Management Discussion of Water System Operations

In FY 2002, after a transfer of \$3,997,200 to the General Fund, the Water Utility realized a budget surplus of \$2,136,000, which was applied to the Water RR&I Fund (\$2,077,900) and to the Reserve for FY 2003 Encumbrances (\$58,100) in accordance with City Financing Policy. Additionally, the Water Operating Reserve Fund exceeded the Financing Policy's required level by \$178,000, and this amount was transferred to the Water RR&I Fund.

Planning is the current focus for the water system. A consultant will complete a comprehensive computer model of the water system in June 2003. This model will be the template for the development of a 20-Year Master Plan by the end of 2003 to meet future growth and to improve the existing system. Although the water system is generally strong and reliable, there are localized areas (at the higher elevations) that need improvements. The model will identify deficiencies and will analyze various alternatives for improvements, with the final recommendations included in the Master Plan. Anticipated projects include water supply wells, storage tanks, pressure booster stations, and transmission mains. Water quality has been an issue in the Northwest section of the city water distribution system for the past few years. The cause of the deteriorated water quality has been chiefly attributed to a major water supply well that draws from an iron-laden formation in the Floridan Aquifer. The dissolved iron is pumped into the distribution system and eventually precipitates in the pipes. When the iron sediment is disturbed through pressure or velocity changes (e.g., by fire hydrant flushing), the water becomes discolored and can result in odor and staining problems. Remediation of the water well by acid treatment was completed in January 2003, and video results indicated that the cleaning operation was successful. Following the well remediation, the affected distribution system will be "pigged" to remove the existing iron accumulations. A contract has been awarded to a specialty firm to conduct the cleaning of the water mains, with the project scheduled to start in August 2003 and be completed by November 2003. The well remediation and the water main cleaning should resolve the water quality issues in the Northwest distribution system. The well will be monitored and periodically shut down to repeat the remediation process to preclude the recurrence of the iron accumulations in the distribution system.

SEWER SYSTEM

The City owns, operates, and maintains a sewer system that serves approximately 59,000 connections in the City and small areas in Leon County. The sewer operations include collection, pumping stations, two treatment plants, disposal of treated effluent by spray irrigation, and disposal of Class B biosolids by land application.

Management Discussion of Sewer System Operations

In FY 2002, after transfer of \$1,161,500 to the General Fund, the Sewer Fund realized a budget surplus of \$1,190,800, which was applied to the Sewer RR&I Fund (\$1,033,550) and to the Reserve for FY 2003 Encumbrances (\$157,300) in accordance with City Financing Policy. This surplus was due to (1) revenues from residential customers being 5% greater than budget and to (2) 2% savings in budgeted expenditures in the areas of personnel-related expenses, line extensions, and chemical/lab expenses. Additionally, the Sewer Operating Reserve Fund exceeded the Financing Policy's required level by \$55,000 due to interest earnings, and this amount was transferred to the Sewer RR&I Fund.

The improvement of biosolids treatment and disposal facilities continued to be the priority in sewer operations during FY 2002. A contract was awarded to US Filter in November 2002 to install a 50-wet ton heat dryer for the production of Class A biosolids. The installation is expected to be complete by the end of 2003, and the dryer operation will result in the cessation of the land application of Class B biosolids on City airport property. A second screw press was also purchased in 2002, and its installation will complete the replacement of the obsolescent belt filter presses utilized for initial dewatering of the biosolids. A third screw press will be acquired in FY 2004 for reliability. The new biosolids treatment facilities will be enclosed in a new building to safeguard their operations. The Class A biosolids product will be sold to a private company for final disposal; it is not subject to further regulations and is readily marketable as a fertilizer or soil amendment.

The Water Utility entered into three-year term contracts with four civil/environmental firms in FY 2002. Designs are underway for a reclaimed water plant and the total rehabilitation of a major sewer pumping station. The reclaimed water plant will provide irrigation for Southwood, a major development that includes a State of Florida satellite office complex, two new schools, a golf course, and roadway medians and landscaping. The Springhill Road Pumping Station, which has a capacity of over 30 MGD and pumps directly to the T.P. Smith Treatment Plant, will be upgraded with submersible pumps, variable frequency drives, and a new wet well.

A needed update to the Master Sewer Plan is scheduled for FY 2004 (October 1, 2003). The project cost is \$400,000 but could run higher depending on the extent of flow monitoring required to develop a reliable system model. In the meantime during FY 2003-2004, upgrading and rehabilitation of existing sewer infrastructure will be done on an as-needed basis.

STORMWATER SYSTEM

The City operates and maintains the Stormwater system (i.e. a network of pipes, channels, and detention ponds) to serve the 101 square miles within the City's incorporated limits. The Stormwater system consists of approximately 306 stormwater management ponds, 5,200 drainage structures, 310 miles of enclosed storm drains, 245 miles of roadside ditches, 16 miles of minor to medium outfall ditches, and 26 miles of major outfall canals.

The operation, maintenance and expansion of the Stormwater System are funded through a stormwater utility fee. The utility user fee method of funding is felt to be more equitable than an ad-valorem tax assessment for two reasons. First, the community-wide cost of managing stormwater runoff is more closely related to the amount of runoff generated from a property than it is to the taxable value of a property. The runoff generated from a property is closely associated with its impervious area, so the City uses impervious area as the basis for the stormwater fee. Property taxes would only be poorly correlated to runoff, if at all. Second, the stormwater utility fee method recognizes that over half of the property on the tax rolls in Tallahassee is tax-exempt. If the stormwater program were funded through property taxes, the owners of these tax-exempt properties would not contribute to the cost of managing runoff despite their generating a large portion of the demand for services.

Management Discussion of Operations

During FY 2002, actual revenue for the Stormwater system exceeded the budgeted amount by 5.3%, while expenditures were approximately 1.5% below budget, resulting in actual budgetary income before transfers of \$843,000. In accordance with the Financing Policy, \$793,000 of income was transferred to the Stormwater RR&I fund to offset the need for future debt. The remaining \$50,000 was transferred to the Reserve for Encumbrances for FY 2003.

The Stormwater program is operated on a full cost recovery basis with associated revenues and expenditures accounted for within the Stormwater Fund. Stormwater maintenance activities are provided by the Public Works Department but are funded from the Stormwater Fund. Approximately \$3 million was budgeted for maintenance in FY 2003. In addition to maintenance, a major portion of annual revenue goes to capital improvements to improve and expand the physical drainage system. The FY 2003 Five-Year Capital Improvement Program Plan included 15 projects. The total cost of these projects is approximately \$22.2 million, which is programmed for FY 2003 through FY 2007. No debt funding is programmed for stormwater projects at this time.

Stormwater System Rates and Revenue

The FY 2003 base stormwater fee is \$6.25 per ERU per month. An ERU is the amount of impervious area associated with a typical residential unit. This has been determined statistically to be 1,990 square feet (SF). In these terms then the base monthly stormwater fee can be considered to be \$6.25 per residence. Non-residential land uses typically have substantially more impervious surface than do residential uses. To determine the stormwater fee for a non-residential parcel the actual impervious area on the site is measured. The total impervious area is then divided by the ERU base area (1,990 SF). The resulting multiple number of ERUs is then multiplied by the base monthly fee (\$6.25 per ERU) to get the monthly fee for that specific non-residential site.

The Stormwater utility has approximately 73,640 customers. While approximately 88% of the customer base is residential, the 12% nonresidential customer base generates approximately 53% of the annual revenue. The FY 2003 revenue projection from the stormwater utility fee is \$11.3 million.

Selected Statistics Consolidated Utility System

Water System					
Fiscal Year Ended September 30	1998	1999	2000	2001	2002
Miles of Water Mains *	962	973	1,100	1,200	1,184
Plant Capacity	73.60	73.60	73.60	73.60	73.60
Daily Avg. Consumption (MGD)	25.71	25.18	27.60	25.49	26.87
Residential					
Avg. No. of Customers	57,433	58,996	60,641	61,947	63,312
Water Sold (000)	5,321,454	5,091,508	5,652,397	5,045,555	5,382,795
Avg. Sales Per Customer	92,655	86,303	93,210	81,450	85,020
Commercial					
Avg. No. of Customers	6,350	6,497	6,691	6,861	7,021
Water Sold (000)	3,857,788	3,909,787	4,218,096	4,085,916	4,248,922
Avg. Sales Per Customer	607,526	601,783	630,413	595,528	605,173
Interdepartmental					
Avg. No. of Customers	336	344	346	349	355
Water Sold (000)	203,261	187,789	203,844	171,763	175,759
Avg. Sales Per Customer	604,943	545,898	589,145	492,158	495,096
Sewer System					
Fiscal Year Ended September 30	1998	1999	2000	2001	2002
Miles of Sanitary Sewers	815	825	925	934	858*
Annual Flow-Millions of Gallons	5,862	5,867	6,399	6,278	6,056
Daily Average Treatment (MGD)	16.06	16.07	17.48	17.24	16.59
Rainfall (fiscal year totals)	70.46	46.91	42.24	63.12	49.59
Gallons Treated Per Customer	109,669	106,769	111,447	108,650	102,653
Avg. No. of Customers					
Residential	48,248	49,666	51,041	52,291	53,419
Commercial	5,110	5,188	5,292	5,398	5,576
Interdepartmental	93	93	97	99	99
Rated Capacity	32	32	32	32	32

* Decrease reflects updated data generated in FY 2002 using GIS methodology

Water System Ten Largest Customers by Consumption (as of 9/30/02)

Customer	Water Usage	Billed Amount	Percentage of Revenues
Florida State University	3,427,759	\$466,576	2.20%
State of Florida	3,088,389	448,134	2.10%
Florida A&M University	1,982,619	289,467	1.40%
City Government	1,724,388	342,615	1.60%
Federal Government	1,132,283	141,403	0.70%
Leon County School Board	1,143,113	161,444	0.80%
Leon County Government	781,621	105,994	0.50%
TMH (Hospital)	871,095	170,346	0.80%
Wolverine Properties	294,383	35,952	0.20%
Blairstone Apartments	214,058	26,176	0.10%

Consolidated Utility System Debt Service Coverage (in 000s) *					
Fiscal Year Ended	1998	1999	2000	2001	2002
Operating Revenues					
Water	19,585	19,560	21,115	19,917	20,997
Sewer	<u>24,289</u>	<u>25,583</u>	<u>25,555</u>	<u>25,239</u>	<u>26,486</u>
Total Operating Revenues	<u>43,874</u>	<u>45,143</u>	<u>46,670</u>	<u>45,156</u>	<u>47,483</u>
Operating Expenses					
Water	9,632	9,268	9,988	9,908	10,667
Sewer	<u>18,176</u>	<u>17,228</u>	<u>18,485</u>	<u>18,488</u>	<u>17,812</u>
Total Operating Expenses	<u>27,808</u>	<u>26,496</u>	<u>28,473</u>	<u>28,396</u>	<u>28,479</u>
Net Operating Revenue	16,066	18,647	18,197	16,760	19,004
Gross Stormwater Revenue	8,975	12,599	9,898	13,249	11,310
Other Revenue	<u>2,062</u>	<u>1,832</u>	<u>4,369</u>	<u>3,377</u>	<u>1,382</u>
Total Pledged Revenue					
Available for Debt Service	<u>27,103</u>	<u>33,078</u>	<u>32,464</u>	<u>33,386</u>	<u>31,696</u>
Debt Service	8,012	7,833	7,826	5,167	6,157
Coverage	3.38x	4.22x	4.15x	6.46x	5.15x

* This schedule is restated due to the migration of the Gas System to the Energy System in FY 2001. Gas System revenues are now included in the Energy System statistics.

CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM
STATEMENT OF NET ASSETS
SELECTED FINANCIAL DATA
SEPTEMBER 30, 2002
(in thousands)

	<u>Water</u>	<u>Sewer</u>	<u>Stormwater Management</u>	<u>Totals Memorandum Only</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents.....	\$ 4,568	\$ 6,017	\$ 29,268	\$ 39,853
Investments.....	70	30	-	100
Securities Lending Collateral.....	1,157	1,731	7,259	10,147
Receivables:.....				-
Accrued Interest.....	22	36	146	204
Notes.....	-	-	-	-
Customers and Others.....	1,558	2,291	697	4,546
Due From Other Governments.....	-	-	88	88
Less: Allowance for Doubtful Accounts.....	(301)	(183)	-	(484)
Due from Other Funds.....	-	-	-	-
Inventory.....	56	1,943	-	1,999
Total Current Assets.....	7,130	11,865	37,458	56,453
Restricted Assets.....				
Cash and Cash Equivalents.....	18,532	8,170	-	26,702
Investments.....	934	5,482	-	6,416
Securities Lending Collateral.....	4,822	3,158	-	7,980
Receivables:.....				-
Other.....	-	-	-	-
Accrued Interest.....	94	40	-	134
Due from Other Governments.....	-	-	-	-
Total Restricted Assets.....	24,382	16,850	-	41,232
Noncurrent Assets.....				
Advances to Other Funds.....	-	-	-	-
Unamortized Bond Issue Costs.....	60	445	-	505
Fixed Assets (Net of Accumulated Depreciation)...	77,489	162,117	79,935	319,541
Construction in Progress.....	4,631	4,774	8,110	17,515
Total Noncurrent Assets.....	82,180	167,336	88,045	337,561
Total Assets.....	\$ 113,692	\$ 196,051	\$ 125,503	\$ 435,246

**CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM
STATEMENT OF NET ASSETS
SELECTED FINANCIAL DATA
SEPTEMBER 30, 2002
(in thousands)**

	Water	Sewer	Stormwater Management	Totals Memorandum Only
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities				
Accounts Payable.....	\$ 388	\$ 700	\$ 369	\$ 1,457
Due to Other Funds.....	--	--	--	--
Compensated Absences.....	199	679	219	1,097
Obligations Under Securities Lending.....	1,157	1,731	7,259	10,147
Customer Contracts Payable.....	475	950	--	1,425
Deferred Revenue.....	--	--	4,136	4,136
Utility Deposits Payable.....	582	--	--	582
Total Current Liabilities.....	2,801	4,060	11,983	18,844
Payable From Restricted Assets:				
Obligations Under Securities Lending.....	4,822	3,158	--	7,980
Retainage Payable and Accounts Payable.....	75	53	--	128
Total Payable From Restricted Assets.....	4,897	3,211	--	8,108
Noncurrent Liabilities:				
Loans Payable.....	--	--	--	--
Claims Payable.....	--	--	--	--
Customer Contracts Payable.....	969	1,417	--	2,386
Advances from Other Funds.....	3,283	3,541	--	6,824
Compensated Absences.....	87	407	90	584
Bonds Payable.....	8,625	49,295	--	57,920
Unamortized Bond Premium (Discount).....	75	595	--	670
Deferment of Loss on Early Retirement of Debt.....	(394)	(908)	--	(1,302)
Total Noncurrent Liabilities.....	12,645	54,347	90	67,082
Total Liabilities.....	20,343	61,618	12,073	94,034
NET ASSETS				
Investment in Capital Assets, net of related debt.....	73,874	118,354	88,045	280,273
Restricted for Debt Service.....	934	5,694	--	6,628
Restricted for Renewal, Replacement, and Improvements...	18,457	7,905	--	26,362
Unrestricted.....	84	2,480	25,385	27,949
Total Net Assets.....	\$ 93,349	\$ 134,433	\$ 113,430	\$ 341,212

**CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
SELECTED FINANCIAL DATA
FISCAL YEAR ENDED SEPTEMBER 30, 2002**

(in thousands)

	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Totals Memorandum Only</u>
Operating Revenues:				
Charges for Services:				
Residential Sales.....	\$ 10,556	\$ 13,229	\$ 4,994	\$ 28,779
Recyclable Sales.....	--	--	--	--
Commercial and Industrial Sales.....	6,478	10,624	6,224	23,326
Surcharge.....	954	343	--	1,297
Tapping Fees.....	901	133	--	1,034
Late Fees.....	105	--	--	105
Initiating Service.....	320	--	--	320
Rentals.....	330	--	--	330
Cut-ins and Cut-fees.....	392	--	--	392
Other.....	961	2,157	92	3,210
Total Operating Revenues.....	<u>20,997</u>	<u>26,486</u>	<u>11,310</u>	<u>58,793</u>
Operating Expenses:				
Personnel Services.....	3,115	7,934	3,094	14,143
Contractual Services.....	6,787	7,753	2,328	16,868
Materials and Supplies.....	500	1,827	343	2,670
Other Expenses.....	265	298	397	960
Depreciation.....	2,175	4,675	219	7,069
Amortization.....	2	2	--	4
Total Operating Expenses.....	<u>12,844</u>	<u>22,489</u>	<u>6,381</u>	<u>41,714</u>
Operating Income (Loss).....	<u>\$ 8,153</u>	<u>\$ 3,997</u>	<u>\$ 4,929</u>	<u>\$ 17,079</u>

**CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
SELECTED FINANCIAL DATA
FISCAL YEAR ENDED SEPTEMBER 30, 2002**

(in thousands)

	<u>Water</u>	<u>Sewer</u>	<u>Stormwater Management</u>	<u>Totals Memorandum Only</u>
Non-Operating Revenues (Expenses):				
Interest Revenue.....	\$ 1,018	\$ 819	1,263	3,100
Net Increase in the Fair Value of Investments	64	39	81	184
Other Revenues.....	1,009	6,793	2,196	9,998
Interest Expense.....	(671)	(3,141)	--	(3,812)
Other Expenses.....	(598)	(1,203)	--	(1,801)
Total Non-Operating Revenues (Expenses)	<u>822</u>	<u>3,307</u>	<u>3,540</u>	<u>7,669</u>
 Income (Loss) Before Capital Contributions and Operating Transfers.....	 <u>8,975</u>	 <u>7,304</u>	 <u>8,469</u>	 <u>24,748</u>
Capital Contributions and Operating Transfers:				
Capital Contributions.....	--	--	4,094	4,094
Operating Transfers In.....	44	20	2	66
Operating Transfers Out.....	<u>(4,130)</u>	<u>(1,269)</u>	<u>(60)</u>	<u>(5,459)</u>
Total Capital Contributions and Operating Transfers.....	<u>(4,086)</u>	<u>(1,249)</u>	<u>4,036</u>	<u>(1,299)</u>
 Change in Net Assets.....	 4,889	 6,055	 12,505	 23,449
 Net Assets - October 1	 <u>88,460</u>	 <u>128,378</u>	 <u>100,925</u>	 <u>317,763</u>
 Net Assets - September 30	 <u>\$ 93,349</u>	 <u>\$ 134,433</u>	 <u>\$ 113,430</u>	 <u>\$ 341,212</u>

**CONSOLIDATED UTILITY SYSTEM
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED DEBT SERVICE**

Bond Year			\$23,900,000	\$46,780,000
Ending			Series 2001	Series 1995
October 1	Total			
2003	\$ 6,148,954	\$ 1,924,263	\$ 4,224,691	
2004	6,153,189	1,926,663	4,226,526	
2005	6,161,939	1,932,663	4,229,276	
2006	6,156,326	1,927,063	4,229,264	
2007	6,155,176	1,930,263	4,224,914	
2008	6,153,576	1,926,863	4,226,714	
2009	6,155,499	1,929,575	4,225,924	
2010	6,151,299	1,927,575	4,223,724	
2011	6,147,319	1,923,075	4,224,244	
2012	6,156,381	1,926,775	4,229,606	
2013	6,154,519	1,926,050	4,228,469	
2014	6,157,031	1,926,750	4,230,281	
2015	2,233,600	2,233,600		
2016	2,229,550	2,229,550		
2017	2,230,550	2,230,550		
2018	2,226,050	2,226,050		
2019	2,226,050	2,226,050		
Totals	\$84,997,008	\$34,273,375	\$50,723,633	

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\$23,900,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM REFUNDING REVENUE BONDS,
SERIES 2001

Dated: May 1, 2001

Purpose

To refund a portion of the City's outstanding Consolidated Utility System Revenue Bonds.

Security

The Bonds are secured by a pledge of and lien on the Net Revenues of the City's Utility System which includes the Water System, Sewer System, and the gross revenues of the City's Stormwater Drainage System on parity with the City's Consolidated Utility System Revenue Bonds, Series 1995, not refunded by the Series 2001 Bonds or the Energy System Revenue Bonds.

Form

\$23,900,000 Serial Bonds due October 1, 2019, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2001.

Agents

Registrar – Wachovia Bank, NA, Jacksonville, Florida.

Paying Agent – Wachovia Bank, NA, Jacksonville, Florida.

Trustee – Wachovia Bank, NA, Jacksonville, Florida.

Bond Counsel – Bryant, Miller and Olive, P.A., Tallahassee, Florida.

Ratings

Moody's – Aaa (Aa2 underlying)

Standard and Poors – AAA (AA- underlying)

Fitch – AAA (AA+ underlying)

Redemption Provisions

The Series 2001 Bonds are not subject to redemption prior to maturity.

\$23,900,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM REVENUE BONDS, SERIES 2001

Summary of Remaining Debt Service Requirements

Fiscal Year Ending	Interest Rate	Principal	Interest	Total
2003	4.00%	\$ 815,000	\$ 1,109,263	\$ 1,924,263
2004	4.00%	850,000	1,076,663	1,926,663
2005	4.00%	890,000	1,042,663	1,932,663
2006	4.00%	920,000	1,007,063	1,927,063
2007	4.00%	960,000	970,263	1,930,263
2008	4.25%	995,000	931,863	1,926,863
2009	5.00%	1,040,000	889,575	1,929,575
2010	5.00%	1,090,000	837,575	1,927,575
2011	4.500%	1,140,000	783,075	1,923,075
2012	5.500%	1,195,000	731,775	1,926,775
2013	5.500%	1,260,000	666,050	1,926,050
2014	5.500%	1,330,000	596,750	1,926,750
2015	5.500%	1,710,000	523,600	2,233,600
2016	5.500%	1,800,000	429,550	2,229,550
2017	5.500%	1,900,000	330,550	2,230,550
2018	5.500%	2,000,000	226,050	2,226,050
2019	5.500%	2,110,000	116,050	2,226,050
Totals		\$ 22,005,000	\$ 12,268,375	\$ 34,273,375

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\$46,780,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS REVENUE BONDS, SERIES 1995

Dated: July 1, 1995

Purpose

The Series 1995 Bonds were issued to refund a portion of the Series 1991A and 1991B Consolidated Utility System Bonds and to construct certain improvements to the City's Gas Utility System.

Security

The Bonds are payable solely from and secured by a lien upon and pledge of the net revenues of the Utility System which includes the Water System, Sewer System and Gas System; and the gross revenues of the Stormwater Drainage System.

Form

\$28,360,000 Serial Bonds,
 \$ 7,645,000 Term Bonds due October 1, 2012,
 \$ 8,545,000 Term Bonds due October 1, 2014,
 \$ 2,230,000 Term Bonds due October 1, 2019.

The Bonds are issued in fully registered form in denominations of \$5,000 or multiples thereof. Interest on the 1995 Bonds is payable commencing October 1, 1995, and semiannually each April 1 and October 1 thereafter.

Agents

Registrar - Wachovia Bank, NA, Jacksonville, Florida.
Paying Agent - Wachovia Bank, NA, Jacksonville, Florida.
Trustee - Wachovia Bank, NA, Jacksonville, Florida.
Escrow - Securing payment for refunded Series 1991 A and 1991 B Consolidated Utility System Bonds, Wachovia Bank, NA, Jacksonville, Florida.
Bond Counsel - Bryant, Miller and Olive, P.A., Tallahassee, Florida.

Ratings

Moody's - Aa
 Standard and Poors - AA-
 Fitch - AA

Call Provisions

Mandatory Redemption

Term Bonds Due October 1, 2012
 Term Bonds Due October 1, 2014
 Term Bonds Due October 1, 2019

Year	Amount	Year	Amount
2011	\$3,715,000	2015	\$400,000
2012 (maturity)	\$3,930,000	2016	\$420,000
2013	\$4,155,000	2017	\$445,000
2014 (maturity)	\$4,390,000	2018	\$470,000
		2019 Maturity	\$495,000

Optional Redemption

Series 1995 Bonds maturing on or after October 1, 2008. In whole or in part in any order on October 1, 2005 or on the first day of each month thereafter.

Redemption Dates (both inclusive)

October 1, 2005 and thereafter

Redemption Prices

100%

\$46,780,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS REVENUE BONDS, SERIES 1995

Summary of Remaining Debt Service Requirements

Bond Year Ending	Interest Rate	Principal	Interest	Total
2003	4.70%	\$ 2,195,000	\$ 2,029,691	\$ 4,224,691
2004	5.75%	2,300,000	1,926,526	4,226,526
2005	5.75%	2,435,000	1,794,276	4,229,276
2006	5.80%	2,575,000	1,654,264	4,229,264
2007	6.00%	2,720,000	1,504,914	4,224,914
2008	5.40%	2,885,000	1,341,714	4,226,714
2009	5.50%	3,040,000	1,185,924	4,225,924
2010	5.60%	3,205,000	1,018,724	4,223,724
2011	5.750%	3,385,000	839,244	4,224,244
2012	5.750%	3,585,000	644,606	4,229,606
2013	5.625%	3,790,000	438,469	4,228,469
2014	5.625%	4,005,000	225,281	4,230,281
Totals		\$ 36,120,000	\$ 14,603,633	\$ 50,723,633

CONSOLIDATED UTILITY SYSTEM SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

This Summary of Certain Provisions of the Resolution is subject in all respects to the more complete information and definitions contained in Resolution No. 90-R-0052, adopted on December 19, 1990, as amended and supplemented by Resolution No. 90-R-0053, adopted December 19, 1990, Resolution No. 91-R-0025 adopted May 8, 1991, Resolution No. 91-R-0036, adopted July 10, 1991, and Resolution No. 01-R-0025, adopted April 11, 2001 (collectively, the “Resolution”). This Summary of Certain Provisions of the Resolution should not be considered to be a complete statement of the facts material to making any investment decision.

The City of Tallahassee, Florida (the “City”) currently has outstanding its \$46,780,000 Consolidated Utility Systems Revenue Bonds, Series 1995 and \$23,900,000 Consolidated Utility Systems Refunding Revenue Bonds, Series 2001.

Pledged Revenues

“Gross Revenues” or “Revenues” of the Stormwater Drainage System shall mean (i) all revenues, income, rents and receipts by the City from or attributable to the ownership and operation of the Stormwater Drainage System, including Connection Charges and including all revenues attributable to the Stormwater Drainage System or to the payments of the costs thereof received by the City under any contract for the sale of service from the Stormwater Drainage System or any part thereof or any contractual arrangement with respect to the use of the Stormwater Drainage System or any portion thereof or the services thereof, (ii) the proceeds of any insurance covering business interruption loss relating to the Stormwater Drainage System, if any, and (iii) interest received on any money or securities held pursuant to the Resolution and paid or required to be paid into the Stormwater Drainage System Revenue Fund. Notwithstanding the foregoing, “Gross Revenues” or “Revenues” of the Stormwater Drainage System shall not include Contributions in Aid of Construction or Stormwater Drainage System Development Charges.

“Gross Revenues” or “Revenues” of the Utility System shall mean (i) all revenues, income, rents and receipts by the City from or attributable to the ownership and operation of the Utility System, including Connection Charges and including all revenues attributable to the Utility System or to the payment of the costs thereof received by the City under any contract for the sale of service from the Utility System or any part thereof or any contractual arrangement with respect to the use of the Utility System or any portion thereof or the services thereof, (ii) the proceeds of any insurance covering business interruption loss relating to the Utility System, if any, and (iii) interest received on any moneys or securities held pursuant to the Resolution and paid or required to be paid into the Revenue Fund. Notwithstanding the foregoing, “Gross Revenues” or “Revenues” of the Utility System shall not include Contributions in Aid of Construction, Sewer System Development Charges or Water System Development Charges.

“Net Revenues” of the Utility System means the Revenues or Gross Revenues after deduction of the Cost of Operation and Maintenance.

“Pledged Revenues” shall mean (i) the proceeds of the sale of any Series of Bonds, subject to application as provided in the Resolution, (ii) moneys in the funds and accounts established thereunder (except for the Operating Reserve Fund and the Rebate Fund), subject to application as provided in the Resolution, (iii) the Net Revenues of the Utility System, (iv) the Gross Revenues of the Stormwater Drainage System, (v) the Sewer System Development Charges but only to the extent of the Sewer System Development Charges Bond Service Component, (vi) the Water System Development Charges but only to the extent of the Water System Development Charges Bond Service Component, (vii) the Stormwater Drainage System Development Charges but only to the extent of the Stormwater Drainage System Development Charges Bond Service Component, (viii) unless determined otherwise by one or

more resolutions relating to specific Projects, all Special Assessments levied after the issuance of the first Series of Bonds, and (ix) with respect to any Series of Bonds, any Additional Security.

“Sewer Expansion Facilities” shall mean improvements, extensions and additions to the Sewer System, together with all lands or interest therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property real or personal, tangible or intangible, heretofore or hereafter constructed or acquired in order to meet the increased demand upon the Sewer System, whether actual or anticipated, created by new users connecting to the Sewer System.

“Sewer Expansion Percentage” shall mean that number, expressed as a percentage, which represents that portion of the total cost of any Project or Projects financed from the proceeds of a particular Series of Bonds which is attributable to Sewer Expansion Facilities, if any, as shall be determined by the Qualified Independent Consultant and set forth in the Project Certificate.

“Sewer System” shall mean the complete sewer system now owned, operated and maintained by the City, together with any and all improvements, extensions and additions thereto hereafter constructed or acquired, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith.

“Sewer System Development Charges” shall mean the impact fees and charges levied upon and collected from new users of the Sewer System (or the proceeds of any security provided for the payment thereof), if any, to the extent the same are lawfully available for the acquisition and construction of Sewer Expansion Facilities and for Sewer System Development Charges Bond Service Components. Sewer System Development Charges do not include Connection Charges.

“Sewer System Development Charges Bond Service Component” shall mean with respect to any Series of Bonds as of any particular date of calculation, the Sewer Expansion Percentage, if any, multiplied by the Annual Debt Service for said Series of Bonds.

“Special Assessments” shall mean, as determined by subsequent resolution or resolutions of the City, all proceeds derived by the City from the special assessments levied against the real property specially benefited by the acquisition and construction of a Project financed by a Series of Bonds or financed by the Revenues of the Utility System or the Stormwater Drainage System.

“Stormwater Drainage System” shall mean the complete stormwater drainage system now owned, operated and maintained by the City, together with any and all improvements, extensions and additions thereto hereinafter constructed or acquired and any joint venture or ownership facility or any interest therein or any right to use the capacity from any facilities and services thereof, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith.

“Stormwater Drainage System Development Charges” shall mean the impact fees and charges levied upon and collected from new users of the Stormwater Drainage System (or the proceeds of any security provided for the payment thereof), if any, to the extent the same are lawfully available for the acquisition and construction of Stormwater Expansion Facilities and for Stormwater Drainage System Development Charges Bond Service Components. Stormwater Drainage System Development Charges do not include Connection Charges.

“Stormwater Drainage System Development Charges Bond Service Component” shall mean with respect to any Series of Bonds as of any particular date of calculation, the Stormwater Expansion Percentage, if any, multiplied by the Annual Debt Service for said Series of Bonds.

“Stormwater Expansion Facilities” shall mean improvements, extensions and additions to the Stormwater Drainage System, together with all lands or interest therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property real or personal, tangible or intangible, heretofore or hereafter constructed or acquired in order to meet the increased demand upon the Stormwater Drainage System, whether actual or anticipated, created by new users connecting to the Stormwater Drainage System.

“Stormwater Expansion Percentage” shall mean that number, expressed as a percentage, which represents that portion of the total cost of any Project or Projects financed from the proceeds of a particular Series of Bonds which is attributable to Stormwater Expansion Facilities, if any, as shall be determined by the Qualified Independent Consultant and set forth in the Project Certificate.

“Systems” shall mean, collectively, the Stormwater Drainage System and the Utility System.

“Utility System” shall mean, collectively, the Water System and the Sewer System of the City, together with any and all improvements, extensions and additions thereto hereafter constructed or acquired and any joint venture or ownership facility or any interest therein or any right to use the capacity from any facilities or services thereof. Upon compliance with the provisions of the Resolution, the term “Utility System” shall be deemed to include other utility functions added to the Utility System, including but not limited to the providing of solid waste services, the providing of cable television services, the providing of telecommunication services or other utility functions that are, in accordance with Prudent Utility Practice, reasonably related to the services provided by the Utility System. This definition shall be broadly interpreted to facilitate the purposes of the Resolution.

“Water Expansion Facilities” shall mean improvements, extensions and additions to the Water System, together with all lands or interest therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property real or personal, tangible or intangible, heretofore or hereafter constructed or acquired in order to meet the increased demand upon the Water System, whether actual or anticipated, created by new users connecting to the Water System.

“Water Expansion Percentage” shall mean that number, expressed as a percentage, which represents that portion of the total cost of any Project or Projects financed with the proceeds of any particular Series of Bonds which is attributable to Water Expansion Facilities, if any, as shall be determined by the Qualified Independent Consultant and set forth in the Project Certificate.

“Water System” shall mean the existing properties and assets, real and personal, tangible and intangible, owned and operated by the City, and directly or indirectly used or useful for the supply, storage, treatment, transmission and distribution of water, and all properties and assets hereafter constructed or acquired as additions, improvements and betterments thereto and extensions thereof.

“Water System Development Charges” shall mean the impact fees and charges levied upon and collected from new users of the Water System (or the proceeds of any security provided for the payment thereof), if any, to the extent the same are lawfully available for the acquisition and construction of Water Expansion Facilities and for Water System Development Charges Bond Service Components. Water System Development Charges do not include Connection Charges.

“Water System Development Charges Bond Service Component” shall mean with respect to any Series of Bonds as of any particular date of calculation, the Water Expansion Percentage, if any, multiplied by the Annual Debt Service for said Series of Bonds.

Disposition of Revenues

The City covenants and agrees with the Holders from time to time of the Bonds that on and after the issuance of any Series of Bonds, and for so long as any Bonds shall be Outstanding, it will pay, or cause to be paid, into the Revenue Fund, as promptly as practicable after receipt thereof, all of the Revenues derived from the operation of the Utility System (except the Revenues of the Utility System and other amounts expressly required or permitted by the Resolution to be credited to, or deposited in, any other fund or account).

All Revenues at any time remaining on deposit in the Revenue Fund, after payments of Cost of Operation and Maintenance of the Utility System, shall be applied and allocated on a monthly basis only in the following manner and in the following order of priority:

(1) The City shall first transfer to the Trustee for deposit into the Senior Lien Debt Service Fund, and credit to the following accounts, no later than the fifteenth (15th) day of the month in

each year in the following order (provided that payments to the Principal Account and Redemption Account shall be on a parity with each other), the following identified sums together with any deficiencies for prior payments:

(a) Interest Account: Such sum as will be sufficient to pay one-sixth (1/6th) of all interest coming due on all Outstanding Senior Lien Bonds on the next Debt Service Payment Date, together with any fees and charges of the Trustee, Paying Agents and Registrars therefore. Provided, however, that monthly deposits of interest, or portions thereof, shall not be required to be made to the extent that money on deposit within such Interest Account in the Senior Lien Debt Service Fund is sufficient for such purpose. In the event the City has issued Senior Lien Bonds which are Variable Rate Bonds, Revenues shall be deposited at such other or additional times and amounts as necessary to pay any interest coming due on such Variable Rate Bonds on the next Debt Service Payment Date, all in the manner provided in the Series Resolution authorizing such Variable Rate Bonds. Any monthly payment out of Revenues to be deposited as set forth above, for the purpose of meeting interest payments for any Series of Senior Lien Bonds, shall be adjusted, as appropriate, to reflect the frequency of Debt Service Payment Dates applicable to such Series. Moneys in the Interest Account in the Senior Lien Debt Service Fund may be used only for the purposes set forth in this paragraph (a).

(b) Principal Account: Such sum as will be sufficient to pay one-sixth (1/6th) of the principal amount of the Senior Lien Bonds which will mature and come due on the next semi-annual maturity date and one-twelfth (1/12th) of the principal amount of the Senior Lien Bonds which will mature and become due on the next annual maturity date, beginning on such dates, as shall hereafter be determined by Series Resolutions of the City. Provided, however, that monthly deposits for principal, or portions thereof, shall not be required to be made to the extent that money on deposit within such Principal Account in the Senior Lien Debt Service Fund is sufficient for such purpose. Any monthly payment out of Revenues to be deposited as set forth above, for the purpose of meeting principal payments for any Series of Senior Lien Bonds, shall be adjusted, as appropriate, to reflect the frequency of Debt Service Payment Dates applicable to such Series. Moneys in the Principal Account in the Senior Lien Debt Service Fund may be used only for the purposes set forth in this paragraph (b).

(c) Redemption Account: Such sum as will be sufficient to pay one-sixth (1/6th) of any Amortization Installment established for the mandatory redemption of Outstanding Senior Lien Bonds on the next semi-annual maturity date and such sum as will be sufficient to pay one-twelfth (1/12th) of any Amortization Installment established for the mandatory redemption of Outstanding Senior Lien Bonds on such annual maturity date. Provided, however, that monthly deposits into the Redemption Account, or portions thereof, shall not be required to be made to the extent that money on deposit in the Redemption Account is sufficient for such purpose. Any monthly payment out of Revenues to be deposited as set forth above, for the purpose of meeting Amortization Installments for any Series of Senior Lien Bonds, shall be adjusted, as appropriate, to reflect the frequency of dates established for Amortization Installments applicable to such Series. The moneys in the Redemption Account shall be used solely for the purchase or redemption of the Term Bonds payable therefrom. The City or the Trustee, upon notice from the City, may at any time purchase any of said Term Bonds at prices not greater than the then redemption price of said Term Bonds. If the Term Bonds are not then redeemable prior to maturity, the City may purchase said Term Bonds at prices not greater than the redemption price of such Term Bonds on the next ensuing redemption date. If Term Bonds are so purchased by the City, upon submission of such Term Bonds to the Trustee, the Trustee shall credit or if the Trustee has purchased such Term Bonds, the Trustee shall credit the account of such purchased Term Bonds against any current Amortization Installment to be paid by the City. If the City shall purchase or call for redemption in any year Term Bonds in excess of the Amortization Installment requirement for such year, such excess of Term Bonds so purchased

or redeemed shall be credited in such manner and at such times as the City shall determine. Moneys in the Redemption Account in the Senior Lien Debt Service Fund may be used only for the purposes set forth in this paragraph (c).

(2) The City shall next deposit from moneys remaining in the Revenue Fund an amount required by each Series Resolution into each account within the Senior Lien Reserve Fund. Any withdrawals from any account in the Senior Lien Reserve Fund shall be subsequently restored from the first moneys available in the Revenue Fund, on a pro rata basis as to all accounts in the Senior Lien Reserve Fund, after all required current payments for Cost of Operation and Maintenance and all current applications and allocations to the Senior Lien Debt Service Fund, including all deficiencies for prior payments have been made in full. Notwithstanding the foregoing, in no event shall the City be required to deposit into any account in the Senior Lien Reserve Fund an amount greater than that amount necessary to ensure that the difference between the Reserve Requirement for the Series of Bonds for which such account was established and the amounts on deposit in such account on the date of calculation shall be restored not later than twelve (12) months after the date of such deficiency (assuming equal monthly payments into such account for such twelve (12) month period) or not later than such earlier date as shall be determined by the respective Series Resolution authorizing the Series of Bonds for which such account was established. To the extent the City determines pursuant to a Series Resolution to fund an account within the Senior Lien Reserve Fund for a respective Series of Bonds, the City may provide that the difference between the amounts on deposit in such account and the Reserve Requirement for such Series of Bonds shall be an amount covered by obtaining bond insurance issued by a reputable and recognized municipal bond insurer, by a surety bond, by a letter of credit or any combination thereof or by such other form of credit enhancement as shall be approved by the Series Resolution of the City authorizing the Series of Bonds for which such account is established. Such Series Resolution may also provide for the substitution of such credit enhancement. Moneys in the Senior Lien Reserve Fund shall be used only for the purpose of the payment of Amortization Installments, principal of, or interest on the Outstanding Senior Lien Bonds when the other moneys allocated to the Senior Lien Debt Service Fund are insufficient therefore, and for no other purpose. Moneys in each account in the Senior Lien Reserve Fund shall be valued as determined by the Series Resolution authorizing such Series of Senior Lien Bonds for which such account was established. Notwithstanding the foregoing, moneys on deposit in each respective account in the Senior Lien Reserve Fund shall only be applied for payment of Amortization Installments, principal of or interest on the Outstanding Series of Senior Lien Bonds for which such account was established and for no other Series of Bonds. In the event of the refunding of any Series of Senior Lien Bonds, the City may withdraw from the account within the Senior Lien Reserve Fund for such Series of Senior Lien Bonds, all or any portion of the amounts accumulated therein with respect to the Senior Lien Bonds being refunded and deposit such amounts as required by the resolution authorizing the refunding of such Series of Senior Lien Bonds; provided that such withdrawal shall not be made unless (a) immediately thereafter the Senior Lien Bonds being refunded shall be deemed to have been paid pursuant to the defeasance provisions of the Resolution, and (b) the amount remaining in such account after giving effect to the issuance of such refunding obligations and the disposition of the proceeds thereof shall not be less than the Reserve Requirement for any Senior Lien Bonds of such Series then Outstanding.

(3) From the moneys remaining in the Revenue Fund, the City shall next transfer to the Trustee for deposit in the Junior Lien Debt Service Fund, and credit to the following accounts, no later than the fifteenth (15th) day of the month in each year in the following order, (provided that payments to the Principal Account and Redemption Account shall be on a parity with each other), the following identified sums together with any deficiencies for prior payments:

(a) Interest Account: Such sum as will be sufficient to pay one-sixth (1/6th) of

all interest coming due on all Outstanding Junior Lien Bonds on the next Debt Service Payment Date, together with any fees and charges of the Paying Agents and Registrars therefore. Provided, however, that monthly deposits of interest, or portions thereof, shall not be required to be made to the extent that money on deposit within such Interest Account in the Junior Lien Debt Service Fund is sufficient for such purpose. In the event the City has issued Junior Lien Bonds which are Variable Rate Bonds, Revenues shall be deposited at such other or additional times and amounts as necessary to pay any interest coming due on such Variable Rate Bonds on the next Debt Service Payment Date, all in the manner provided in the Series Resolution authorizing such Variable Rate Bonds. Monthly payments shall be increased or decreased, as appropriate, in sufficient amounts to provide the required interest amount maturing on the next Debt Service Payment Date. Any monthly payment out of Revenues to be deposited as set forth above, for the purpose of meeting interest payments for any Series of Junior Lien Bonds, shall be adjusted, as appropriate, to reflect the frequency of Debt Service Payment Dates applicable to such Series. Moneys in the Interest Account in the Junior Lien Debt Service Fund may be used only for the purposes set forth in this paragraph (a).

(b) Principal Account: Such sum as will be sufficient to pay one-sixth (1/6th) of the principal amount of the Junior Lien Bonds which will mature and come due on the next semi-annual maturity date and one-twelfth (1/12th) of the principal amount of the Junior Lien Bonds which will mature and become due on the next annual maturity date, beginning on such dates as shall hereafter be determined by Series Resolutions of the City. Provided, however, that monthly deposits for principal, or portions thereof, shall not be required to be made to the extent that money on deposit within such Principal Account in the Junior Lien Debt Service Fund is sufficient for such purpose. In the event that the period to lapse between Debt Service Payment Dates will be other than six (6) or twelve (12) months, then such monthly payments shall be increased or decreased, as appropriate, in sufficient amounts to provide the required principal amount maturing on the next Debt Service Payment Date. Any monthly payment out of Revenues to be deposited as set forth above, for the purpose of meeting principal payments for any Series of Junior Lien Bonds, shall be adjusted, as appropriate, to reflect the frequency of Debt Service Payment Dates applicable to such Series. Moneys in the Principal Account in the Senior Lien Debt Service Fund may be used only for the purposes set forth in this paragraph (b).

(c) Redemption Account: Such sum as will be sufficient to pay one-sixth (1/6th) of any Amortization Installment established for the mandatory redemption of the Outstanding Junior Lien Bonds on the next semi-annual maturity date and such sum as will be sufficient to pay one-twelfth (1/12th) of any Amortization Installment established for the mandatory redemption of Outstanding Junior Lien Bonds on the next annual maturity date. Provided, however, that monthly deposits into the Redemption Account, or portions thereof, shall not be required to be made to the extent that money on deposit in the Redemption Account is sufficient for such purpose. In the event that the period to lapse between dates established for mandatory redemption of Term Bonds will be other than six (6) or twelve (12) months, then such monthly payments shall be increased or decreased, as appropriate, in sufficient amounts to provide the Amortization Installment on the next date established for the mandatory redemption of Term Bonds. Any monthly payment out of Revenues to be deposited as set forth above, for the purpose of meeting Amortization Installments for any Series of Junior Lien Bonds, shall be adjusted, as appropriate, to reflect the frequency of dates established for Amortization Installments applicable to such Series. The moneys in the Redemption Account shall be used solely for the purchase or redemption of the Term Bonds payable therefrom. The City or the Trustee, upon notice from the City, may at any time purchase any of said Term Bonds at prices not greater than the then redemption price of said Term Bonds. If the Term Bonds are not then redeemable prior to maturity, the City may purchase said Term Bonds at prices not greater than the redemption price of such Term Bonds on the next ensuing redemption date. If Term Bonds

are so purchased by the City, upon submission of such Term Bonds to the Trustee, the Trustee shall credit or if the Trustee has purchased such Term Bonds, the Trustee shall credit the account of such purchased Term Bonds against any current Amortization Installment to be paid by the City. If the City shall purchase or call for redemption in any year Term Bonds in excess of the Amortization Installment requirement for such year, such excess of Term Bonds so purchased or redeemed shall be credited in such manner and at such times as the City shall determine. Moneys in the Redemption Account in the Junior Lien Debt Service Fund may be used only for the purposes set forth in this paragraph (c).

(4) The City shall next deposit from moneys remaining in the Revenue Fund an amount, if any, required by each Series Resolution into each account within the Junior Lien Reserve Fund. Any withdrawals from any account in the Reserve Fund shall be subsequently restored from the first moneys available in the Revenue Fund, on a pro rata basis as to all accounts in the Junior Lien Reserve Fund, after all required current payments for Cost of Operation and Maintenance and all current applications and allocations to the Senior Lien Debt Service Fund, the Senior Lien Reserve Fund and the Junior Lien Debt Service Fund, including all deficiencies for prior payments have been made in full. Notwithstanding the foregoing, in no event shall the City be required to deposit into any account in the Junior Lien Reserve Fund an amount greater than that amount necessary to ensure that the difference between the Reserve Requirement for the Series of Bonds for which such account was established and the amounts on deposit in such account on the date of calculation shall be restored not later than sixty (60) months after the date of such deficiency (assuming equal monthly payments into such account for such sixty (60) months period or not later than such earlier date as shall be determined by the respective Series Resolution authorizing the Series of Bonds for which such account was established. Notwithstanding the foregoing, to the extent the City determines pursuant to a Series Resolution to fund an account within the Junior Lien Reserve Fund for a respective Series of Bonds, the City may provide that the difference between the amounts on deposit in such account and the Reserve Requirement for such Series of Bonds shall be an amount covered by obtaining bond insurance issued by a reputable and recognized municipal bond insurer, by a surety bond, by a letter of credit or any combination thereof or by such other form of credit enhancement as shall be approved by the Series Resolution of the City authorizing the Series of Bonds for which such account is established. Such Series Resolution may also provide for the substitution of such credit enhancement. Moneys in the Junior Lien Reserve Fund shall be used only for the purpose of the payment of Amortization Installments, principal of, or interest on the Outstanding Junior Lien Bonds when the other moneys allocated to the Junior Lien Debt Service Fund are insufficient therefore, and for no other purpose. Moneys in each account of the Junior Lien Reserve Fund shall be valued as determined by the Series Resolution authorizing such Series of Junior Lien Bonds for which such account was established. Notwithstanding the foregoing, moneys on deposit in each respective account in the Junior Lien Reserve Fund shall only be applied for payment of Amortization Installments, principal of or interest on the Outstanding Series of Junior Lien Bonds for which such account was established and for no other Series of Bonds. In the event of the refunding of any Series of Junior Lien Bonds, the City may withdraw from the account in the Junior Lien Reserve Fund for such Series of Junior Lien Bonds, all or any portion of the amounts accumulated therein with respect to the Junior Lien Bonds being refunded and deposit such amounts as required by the resolution authorizing the refunding of such Series of Junior Lien Bonds; provided that such withdrawal shall not be made unless (a) immediately thereafter the Junior Lien Bonds being refunded shall be deemed to have been paid pursuant to the defeasance provisions of the Resolution, and (b) the amount remaining in such account after giving effect to the issuance of such refunding obligations and the disposition of the proceeds thereof shall not be less than the Reserve Requirement for any Junior Lien Bonds of such Series then outstanding.

(5) From the moneys remaining in the Revenue Fund, the City shall next deposit into the Subordinated Debt Service Fund an amount required to be paid as provided in the resolution or ordinance of the City authorizing such Subordinated Debt for principal, interest, mandatory redemption payments, if any, and debt service reserve payments, if any, on Subordinated Debt, but for no other

purposes.

(6) From the moneys remaining in the Revenue Fund, the City shall apply and allocate into the Renewal, Replacement and Improvement Fund an amount equal to one-twelfth (1/12th) of five percentum (5%) of the Gross Revenues derived from the operation of the Utility System during the immediately preceding Fiscal Year. In the event the City adds additional utility functions, as provided in the Resolution, the City shall deposit an amount equal to one-twelfth (1/12th) of five percentum (5%) of the Revenues derived from such additional utility functions during the previous Fiscal Year to the Renewal, Replacement and Improvement Fund at the same time as deposits are made pursuant to the first sentence of this paragraph. The amounts referred to in the previous two sentences are collectively referred to as the Renewal, Replacement and Improvement Requirement. No further deposits shall be required to be made to the Renewal, Replacement and Improvement Fund for so long as there shall be on deposit therein on the first day of the Fiscal Year the Renewal, Replacement and Improvement Requirement. The moneys in the Renewal, Replacement and Improvement Fund shall be used only for the purpose of paying the cost of construction or acquisition of improvements, extensions, enlargements or additions to, or the renewal and replacement of capital assets of the Utility System and for emergency or extraordinary repairs thereto, including the transfer to the Construction Fund for the purposes thereof including the completion of improvements to the Systems or portions thereof initially contemplated to be financed from Bond proceeds, or as otherwise provided in a Series Resolution and may be allocated to any special account related to the Utility System as established by such Series Resolution, except that the moneys in said fund shall first be used to supplement any account in the Senior Lien Reserve Fund or the Junior Lien Reserve Fund, if necessary in order to prevent a default in the payment of principal and interest payable on any Outstanding Bonds.

Any moneys remaining in the Renewal, Replacement and Improvement Fund at the end of each Fiscal Year in excess of the Renewal, Replacement and Improvement Requirement that (1) are not encumbered or required to complete the construction or acquisition of improvements, additions, extensions, renewals, replacements, or capital additions to the facilities budgeted in such Fiscal Year, and (2) are not required to make up any difference between required applications and allocation in the Renewal, Replacement and Improvement Fund as provided in the Resolution for the next succeeding year and the budgeted expenditures from the Renewal, Replacement and Improvement Fund for such next succeeding year, upon certification by the Qualified Independent Consultant that such conditions have been met and that such excess moneys are not needed for any of the purposes for which the Renewal, Replacement and Improvement Fund has been established, may be used for any lawful purpose, provided that no Event of Default exists and no deficiency exists in any fund or account created pursuant to the Resolution.

(7) From the moneys remaining in the Revenue Fund, the City shall next deposit into the Operating Reserve Fund such amount as shall be determined by annual budget of the City, or as otherwise determined by the City. At any time and from time to time, the City may transfer for deposit into the Operating Reserve Fund to be applied for the purpose set forth in the Resolution from any source, such amount as the City deems necessary or desirable. Moneys in the Operating Reserve Fund may be transferred each month to the Revenue Fund in an amount equal to the amount budgeted for transfer into such fund for the then current month as set forth in the current annual budget of the City or the amount determined by the City to be used for Cost of Operation and Maintenance of the Utility System for such month. Notwithstanding any provision of the Resolution to the contrary, moneys in the Operating Reserve Fund may only be used for payment of Cost of Operation and Maintenance of the Utility System.

(8) The balance of any moneys remaining in the Revenue Fund after the above required applications and allocations have been made may be used for the purchase or redemption of Bonds or for any lawful purpose of the City.

Stormwater Drainage System Revenue Fund

All Gross Revenues of the Stormwater Drainage System shall, upon receipt thereof, be deposited in the Stormwater Drainage System Revenue Fund. All moneys remaining on deposit in said fund shall be utilized on or before the 21st day of each month, as follows:

(1) Such moneys shall, in the case of a deficiency in the Senior Lien Debt Service Fund, first be applied and allocated to the Senior Lien Debt Service Fund to supplement Revenues to be deposited therein or may be applied and allocated to the Senior Lien Debt Service Fund in substitution of Revenues to be deposited therein.

(2) Such moneys shall, in the case of a deficiency in the Junior Lien Debt Service Fund, next be applied and allocated to the Junior Lien Debt Service Fund to supplement Revenues to be deposited therein or may be applied and allocated to the Junior Lien Debt Service Fund in substitution of Revenues to be deposited therein.

(3) Such moneys shall, in the case of a deficiency in the Subordinated Debt Service Fund, next, to the extent permitted by law, be applied and allocated to the Subordinated Debt Service Fund to supplement Revenues to be deposited therein or may be applied and allocated to the Subordinated Debt Service Fund in substitution of Revenues to be deposited therein.

(4) Such moneys shall next be applied to the cost of operation and maintenance of the Stormwater Drainage System.

(5) Thereafter, all moneys in the Stormwater Drainage System Revenue Fund may be applied by the City for any use allowed by law.

Sewer System Development Charges Fund

All Sewer System Development Charges shall, upon receipt thereof, be deposited in the Sewer System Development Charges Fund. All moneys remaining on deposit in said fund shall be utilized on or before the 21st day of each month, as follows:

(1) Such moneys shall, in the case of a deficiency in the Senior Lien Debt Service Fund, first be applied and allocated to the Senior Lien Debt Service Fund to supplement Revenues to be deposited therein or may be applied and allocated to the Senior Lien Debt Service Fund in substitution of Revenues to be deposited therein.

(2) Such moneys shall, in the case of a deficiency in the Junior Lien Debt Service Fund, next be applied and allocated to the Junior Lien Debt Service Fund, to supplement Revenues to be deposited therein or may be applied and allocated to the Junior Lien Debt Service Fund in substitution of Revenues to be deposited therein.

(3) Such moneys shall, in the case of a deficiency in the Subordinated Debt Service Fund, next, to the extent permitted by law, be applied and allocated to the Subordinated Debt Service Fund to supplement Revenues to be deposited therein or may be applied and allocated to the Subordinated Debt Service Fund in substitution of Revenues to be deposited therein.

(4) Thereafter, all moneys in the Sewer System Development Charges Fund may be applied by the City for any use allowed by law.

Notwithstanding the foregoing, the aggregate amount of Sewer System Development Charges applied and allocated in a Fiscal Year to the Annual Debt Service for any Series of Bonds shall never exceed said Sewer System Development Charges Bond Service Component for such Series of Bonds in such Fiscal Year and the aggregate amount of Sewer System Development Charges applied and allocated to the Subordinated Debt Service Fund shall never exceed the maximum amount permitted by law.

Water System Development Charges Fund

All Water System Development Charges shall, upon receipt thereof, be deposited in the Water System Development Charges Fund. All moneys remaining on deposit in said fund shall be utilized on or before the 21st day of each month, as follows:

(1) Such moneys shall, in the case of a deficiency in the Senior Lien Debt Service Fund, first be applied and allocated to the Senior Lien Debt Service Fund to supplement Revenues to be deposited therein or may be applied and allocated to the Senior Lien Debt Service Fund in substitution of Revenues to be deposited therein.

(2) Such moneys shall, in the case of a deficiency in the Junior Lien Debt Service Fund, next be applied and allocated to the Junior Lien Debt Service Fund to supplement Revenues to be deposited therein or may be applied and allocated to the Junior Lien Debt Service Fund in substitution of Revenues to be deposited therein.

(3) Such moneys shall, in the case of a deficiency in the Subordinated Debt Service Fund, next, to the extent permitted by law and to the extent pledged for the payment of Subordinated Debt, be applied and allocated to the Subordinated Debt Service Fund to supplement Revenues to be deposited therein or may be applied and allocated to the Subordinated Debt Service Fund in substitution of Revenues to be deposited therein.

(4) Thereafter, all moneys in the Water System Development Charges Fund may be applied by the City for any use allowed by law.

Notwithstanding the foregoing, the aggregate amount of Water System Development Charges applied and allocated in a Fiscal Year to the Annual Debt Service for any Series of Bonds shall never exceed said Water System Development Charges Bond Service Component for such Series of Bonds in such Fiscal Year and the aggregate amount of Water System Development Charges applied and allocated to the Subordinated Debt Service Fund shall never exceed the maximum amount permitted by law.

Stormwater Drainage System Development Charge

All Stormwater Drainage System Development Charges shall, upon receipt thereof, be deposited in the Stormwater Drainage System Development Charges Fund. All moneys remaining on deposit in said fund shall be utilized on or before the 21st day of each month, as follows:

(1) Such moneys shall, in the case of a deficiency in the Senior Lien Debt Service Fund, first be applied and allocated to the Senior Lien Debt Service Fund to supplement Revenues to be deposited therein or may be applied and allocated to the Senior Lien Debt Service Fund in substitution of Revenues to be deposited therein.

(2) Such moneys shall, in the case of a deficiency in the Junior Lien Debt Service Fund, next be applied and allocated to the Junior Lien Debt Service Fund to supplement Revenues to be deposited therein or may be applied and allocated to the Junior Lien Debt Service Fund in substitution of Revenues to be deposited therein.

(3) Such moneys shall, in the case of a deficiency in the Subordinated Debt Service Fund, next, to the extent permitted by law and to the extent pledged for the payment of Subordinated Debt, be applied and allocated to the Subordinated Debt Service Fund to supplement Revenues to be deposited therein or may be applied and allocated to the Subordinated Debt Service Fund in substitution of Revenues to be deposited therein.

(4) Thereafter, all moneys in the Stormwater Drainage System Development Charges Fund may be applied by the City for any use allowed by law.

Notwithstanding the foregoing, the aggregate amount of Stormwater Drainage System Development Charges applied and allocated in a Fiscal Year to the Annual Debt Service for any Series of Bonds shall never exceed said Stormwater Drainage System Development Charges Bond Service Component

for such Series of Bonds in such Fiscal Year and the aggregate amount of stormwater Drainage System Development Charges applied and allocated to the Subordinated Debt Service Fund shall never exceed the maximum amount permitted by law.

Special Assessment Fund

All Special Assessments shall, upon receipt thereof, be deposited in the Special Assessment Fund. All Special Assessments at any time remaining on deposit in said fund shall be utilized on or before the 21st day of each month immediately following the delivery of the first Series of Bonds, as follows:

(1) Special Assessments shall first be applied or allocated to the Senior Lien Debt Service Fund in substitution of or to supplement Revenues to be deposited therein.

(2) Special Assessments shall next be applied or allocated to the Junior Lien Debt Service Fund in substitution of or to supplement Revenues to be deposited therein.

(3) Special Assessments shall next be applied or allocated to the Subordinated Debt Service Fund in substitution of or to supplement Revenues to be deposited therein.

(4) Thereafter, Special Assessments in such accounts may be applied by the City to finance capital projects upon which Special Assessments shall be levied for the benefit of the Holders of the Bonds or for such other purposes as may be permitted by law.

Additional Security Fund

All Additional Security shall, upon receipt thereof, be deposited in the appropriate account in the Additional Security Fund. All Additional Security at any time remaining on deposit in said fund shall be utilized on or before the 21st day of each month immediately following the delivery of the first Series of Bonds for which Additional Security is pledged, as follows:

(1) Additional Security shall first be applied or allocated to the Senior Lien Debt Service Fund in substitution of or to supplement Revenues to be deposited therein.

(2) Additional Security shall next be applied or allocated to the Junior Lien Debt Service Fund in substitution of or to supplement Revenues to be deposited therein.

(3) Additional Security shall next be applied or allocated to the Subordinated Debt Service Fund in substitution of or to supplement Revenues to be deposited therein.

(4) Thereafter, Additional Security in such accounts may be applied by the City for any use allowed by law.

Notwithstanding the foregoing, unless provided otherwise by Series Resolution, moneys in each account in the Additional Security Fund shall not be used, either directly or indirectly, to pay principal of, redemption premium, if any, interest or Amortization Installments on any Series of Bonds other than the Series of Bonds for which such account was established.

Subordinated Debt

The City may, at any time, or from time to time, issue Subordinated Debt for any lawful purpose payable out of, and which may be secured by a security interest in and pledge and assignment of, such amounts in the Subordinated Debt Fund as may from time to time be available for the purpose of payment thereof; provided, however, that any security interest and pledge and assignment shall be, and shall be expressed to be, subordinate in all respects to the security interest in and pledge and assignment of the Pledged Revenues as security for the Bonds.

Conditions for Issuance of Bonds Under The Resolution

The Bonds may be issued and sold from time to time in such principal amounts as may be determined by the City for the purpose of paying all or part of Project Costs or refunding all or any Refunded Bonds.

Nothing contained in the Resolution shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the City from issuing bonds, notes, certificates, warrants or other evidences of indebtedness which qualify as Bonds under the Resolution, payable as to principal of, premium, if any, and interest from the Revenue Fund and the payment thereof secured by a lien and pledge on the Pledged Revenues for the payment and security of the Bonds, whether such additional bonds shall be junior, senior or on a parity with other Outstanding Bonds in the manner and in the terms provided in the Resolution.

Senior Lien Bonds

The City may, at any time, or from time to time, issue Senior Lien Bonds payable as to principal and interest from the Pledged Revenues; however, no Senior Lien Bonds shall be issued, except upon the conditions and in the manner provided in the Resolution.

(A) The City shall not be in default in performing any of the covenants and obligations assumed under the Resolution, and all payments shall have been made into the funds and accounts as provided therein to the full extent required unless such default shall be cured through the application of the proceeds of the Senior Lien Bonds proposed to be issued;

(B) The City shall have obtained a certificate from an Authorized Officer which shall state that the City shall have in the Fiscal Year preceding the issuance of the proposed obligations met the rate covenant as provided in the Resolution (See "RATE COVENANT");

(C) The City shall have obtained a certificate from the Qualified Independent Consultant showing that the annual Net Revenues of the Utility System, the Gross Revenues of the Stormwater Drainage System and the Special Assessments, less the projected deposits into or plus the projected withdrawals from the Operating Reserve Fund in each such Fiscal Year, based on operations and price levels estimated to exist at such time, are projected to be in the aggregate at least (1) (a) one hundred fifteen percentum (115%) of the total Average Annual Senior Lien Debt Service Requirement and the Average Annual Junior Lien Debt Service Requirement on all Outstanding Bonds and any Bonds proposed to be issued and one hundred percentum (100%) of all reserve, renewal and replacement and other payments and allocations and applications of revenues required in the Resolution, excluding the Cost of Operation and Maintenance of the Utility System, and (b) together with the Sewer System Development Charges in an amount not greater than the Sewer System Development Charges Bond Service Component, the Water System Development Charges in an amount not greater than the Water System Development Charges Bond Service Component and the Stormwater Drainage System Development Charges in an amount not greater than the Stormwater Drainage System Development Charges Bond Service Component, are projected in the aggregate at least one hundred thirty percentum (130%) of the total Average Annual Senior Lien Debt Service Requirement and the Average Annual Junior Lien Debt Service Requirement on all Outstanding Bonds, plus one hundred percentum (100%) of all reserve, renewal and replacement and other payments and allocations and applications of revenues required in the Resolution, excluding the Cost of Operation and Maintenance of the Utility System or (2) one hundred twenty-five percentum (125%) of the estimated total Average Annual Senior Lien Debt Service Requirement and the Average Annual Junior Lien Debt Service Requirement on all Outstanding Bonds and any Bonds proposed to be issued and one hundred percentum (100%) of all reserve, renewal and replacement and other payments and allocations and applications of Revenues required by the Resolution, excluding the Cost of Operation and Maintenance of the Utility System. The period to be covered by

such certificate shall be the period beginning with the Fiscal Year in which the proposed obligations are to be issued and ending with the later of (i) the first full Fiscal Year in which none of the interest on the obligations proposed to be issued with respect to such Project is estimated to be funded from the proceeds of such obligations or (ii) the second full Fiscal Year after the issuance of such obligations. In preparing such certificate, the Qualified Independent Consultant may reflect such adjustments in the projections as it deems reasonable or upon sources of information believed by it to be reliable. Such adjustments may include, but shall not be limited to, any or all of the following: (i) any changes in the then existing rates, fees, rentals or other charges from the operation of the Systems and the Projects under construction or to be constructed or acquired as have been agreed to or adopted formally by the City, or as affected by executed interchange agreements or contracts with other parties; (ii) any increase in rates or charges required in any year for which the projections in the certificates have been prepared that the City will be required to adopt in order to meet the rate covenants (See "RATE COVENANT") and to make the City's budgeted or projected deposits into or withdrawals from the Operating Reserve Fund; (iii) any increase in rates or charges required in any year to comply with any ordinance setting forth a formula for establishing transfers from revenues of the Systems to the City's general fund; (iv) the estimated change in annual Revenues to be derived from the operation of any additional Projects or acquisition anticipated to be accomplished from previous financings or from the proceeds of all Senior Lien Bonds and any Junior Lien Bonds proposed to be issued with respect to each such Project or acquisition. For purposes of this subparagraph, the term "Special Assessments" shall only include seventy-five percent (75%) of the scheduled Special Assessments expected to be received during each such Fiscal Year and shall not include any prepayments of Special Assessments.

The City need not comply with the provisions of any other paragraph of (C) in the issuance of Senior Lien Bonds if and to the extent the City shall have obtained a certificate from an Authorized Officer which shall rely on financial statements of the City (whether audited or unaudited, provided that if the City shall have audited financial statements such Authorized Officer shall rely on such audited financial statements) and which shall state that for any twelve (12) consecutive months out of the last twenty-four (24) months the Net Revenues of the Utility System, the Gross Revenues of the Stormwater Drainage System and the Special Assessments were in the aggregate at least (1)(a) one hundred fifteen percentum (115%) of the maximum annual Debt Service Requirement on all Outstanding Bonds and any Bonds proposed to be issued, and (b) together with the Sewer System Development Charges in an amount not greater than the Sewer System Development Charges Bond Service Component, the Water System Development Charges in an amount not greater than the Water System Development Charges Bond Service Component and the Stormwater Drainage System Development Charges in an amount not greater than the Stormwater Drainage System Development Charges Bond Service Component shall have been at least one hundred thirty percentum (130%) of the total average annual Debt Service Requirement on all Outstanding Bonds or (2) one hundred twenty-five percentum (125%) of the higher of (a) the maximum Debt Service Requirement during the five (5) years subsequent to the issuance of such Bonds or (b) the average annual Debt Service Requirement subsequent to the issuance of such Bonds and in both (i) and (ii) above, one hundred percentum (100%) of all reserve, renewal and replacement and other payments and allocations and applications of revenues required by the Resolution, excluding the Cost of Operation and Maintenance of the Utility System. For purposes of this subparagraph, the term "Special Assessments" shall only include seventy-five percent (75%) of the scheduled Special Assessments received during such twelve-month period and shall not include any prepayments of Special Assessments.

The City need not comply with the provisions of any other paragraph of (C) in the issuance of Senior Lien Bonds if and to the extent the Senior Lien Bonds to be issued are refunding bonds, that is, delivered in lieu of or in substitution for, or to provide for the payment of one or more Series of Senior Lien Bonds, or portions thereof, originally issued under the Resolution if the City shall cause to be delivered a certificate of an Authorized Officer setting forth the Average Annual Senior Lien Debt Service Requirement (i) for the Senior Lien Bonds then Outstanding and (ii) for all Series of Senior

Lien Bonds to be immediately Outstanding thereafter and stating that the Average Annual Senior Lien Debt Service Requirement pursuant to (ii) above is not greater than that set forth pursuant to (i) above.

The City need not comply with the provisions of any other paragraph of (C) in the issuance of Senior Lien Bonds if and to the extent the Senior Lien Bonds to be issued are for the purpose of providing any necessary additional funds required for completion of any improvements to either the Utility System or the Stormwater Drainage System (“Completion Bonds”) if originally financed by the issuance of Senior Lien Bonds; provided that such Completion Bonds for which the City need not comply with the provision of such first paragraph of (C) may not exceed ten percentum (10%) of the total principal amount of Bonds estimated to be required for such improvements to the Systems at the time of issuance of the initial Series of Bonds to finance such improvements.

Junior Lien Bonds

The City may, at any time, or from time to time, issue Junior Lien Bonds which are payable as to principal and interest from the Pledged Revenues so long as such Junior Lien Bonds shall contain an express statement that such obligations are junior and subordinate in all respects to all Outstanding Senior Lien Bonds as to lien on and source and security for payment from such Pledged Revenues.

(A) The City shall not be in default in performing any of the covenants and obligations assumed under the Resolution, and all payments shall have been made into the funds and accounts as provided in the Resolution to the full extent required, unless such default shall be cured through the application of the proceeds of the Junior Lien Bonds proposed to be issued;

(B) The City shall have obtained a certificate from an Authorized Officer which shall state that the City shall have in the Fiscal Year preceding the issuance of the proposed obligations met the rate covenant as provided in the Resolution (See “RATE COVENANT”).

(C) The City shall have obtained a certificate from a Qualified Independent Consultant showing that the annual Net Revenues of the Utility System, the Gross Revenues of the Stormwater Drainage System and the Special Assessments in each of the full Fiscal Years in the period specified in the next sentence, less the projected deposits into or plus the projected withdrawals from the Operating Reserve Fund in each such Fiscal Year, based on operations and price levels estimated to exist at such time, are projected to be in the aggregate at least (1) (a) one hundred percentum (100%) of the total Average Annual Senior Lien Debt Service Requirement and Average Annual Junior Lien Debt Service Requirement on all Outstanding Bonds and any Bonds proposed to be issued with respect to each such Project and one hundred percentum (100%) of all reserve, renewal and replacement and other payments and allocations and applications of revenues required by the Resolution, excluding the Cost of Operation and Maintenance of the Utility System, and (b) together with the Sewer System Development Charges in an amount not greater than the Sewer System Development Charges Bond Service Component, the Water System Development Charges in an amount not greater than the Water System Development Charges Bond Service Component and the Stormwater Drainage System Development Charges in an amount not greater than the Stormwater Drainage System Development Charges Bond Service Component, are projected to be in the aggregate at least one hundred twenty percentum (120%) of the total Average Annual Senior Lien Debt Service Requirement and Average Annual Junior Lien Debt Service Requirement on all Outstanding Bonds, plus one hundred percentum (100%) of all reserve, renewal and replacement and other payments and allocations and applications and revenues required in the Resolution, excluding Cost of Operation and Maintenance of the Utility System or (2) one hundred ten percentum (110%) of the estimated total Average Annual Senior Lien Debt Service Requirement and Average Annual Junior Lien Debt Service Requirement and one hundred percentum (100%) of all reserve, renewal and replacement and other payments and allocations of Revenues required by the Resolution, excluding the operation and maintenance of the Utility System. The period to be covered by such certificate shall be the period beginning with the Fiscal Year in which the proposed obligations

are to be issued and ending with the later of (i) the first full Fiscal Year in which none of the interest on the obligations proposed to be issued with respect to such Project is estimated to be funded from the proceeds of such obligations or (ii) the second full Fiscal Year after the issuance of such obligations. In preparing such certificate, the Qualified Independent Consultant may reflect such adjustments in the projections as it deems reasonable or upon sources of information believed by it to be reliable. Such adjustments may include, but shall not be limited to, any or all of the following: (i) any changes in the then existing rates, fees, rentals or other charges from the operation of the Systems and the Projects under construction or to be constructed or acquired as have been agreed to or adopted formally by the City, or as affected by executed interchange agreements or contracts with other parties; (ii) any increase in rates or charges required in any year for which the projections in the certificates have been prepared that the City will be required to adopt in order to meet the rate covenants set forth in the Resolution (See "RATE COVENANT") and to make the City's budgeted or projected deposits into or withdrawals from the Operating Reserve Fund; (iii) any increase in rates or charges required in any year to comply with any ordinance setting forth a formula for establishing transfers from revenues of the Systems to the City's general fund; (iv) the estimated change in annual Revenues to be derived from the operation of any additional Projects or acquisition anticipated to be accomplished from previous financings or from the proceeds of all Senior Lien Bonds and any Junior Lien Bonds proposed to be issued with respect to each such Project or acquisition. For purposes of this subparagraph, the term "Special Assessments" shall only include seventy-five percent (75%) of the scheduled Special Assessments expected to be received during such Fiscal Year and shall not include any prepayments of Special Assessments.

The City need not comply with the provisions of any other paragraph (C) in the issuance of Junior Lien Bonds if and to the extent the City shall have obtained a certificate from an Authorized Officer which shall rely on financial statements of the City (whether audited or unaudited, provided that if the City shall have audited financial statements such Authorized Officer shall rely on such audited financial statements) and which shall state that for any twelve (12) consecutive months out of the last twenty-four (24) months that the Net Revenues of the Utility System, the Gross Revenues of the Stormwater Drainage System and the Special Assessments were in the aggregate at least (1)(a) one hundred percentum (100%) of the maximum annual Debt Service Requirement on all Outstanding Bonds and any Bonds proposed to be issued, and (b) together with the Sewer System Development Charges Bond Service Component, the Water System Development Charges Bond Service Component and the Stormwater Drainage System Development Charges Bond Service Component shall have been at least one hundred twenty percentum (120%) of the total Debt Service Requirement on all Outstanding Bonds or (2) one hundred ten percentum (110%) of the higher of (a) the maximum annual Debt Service Requirement during the five (5) years subsequent to the issuance of such Bonds, or (b) the average annual Debt Service Requirement subsequent to the issuance of such Bonds and in both (i) and (ii) above, one hundred percentum (100%) of all reserve, renewal and replacement and other payments and allocations and applications of revenues required in the Resolution, excluding the Cost of Operation and Maintenance of the Utility System. For purposes of this subparagraph, the term "Special Assessments" shall only include seventy-five percent (75%) of the scheduled Special Assessments received during such twelve-month period and shall not include any prepayments of Special Assessments.

The City need not comply with the provisions of any other paragraph of (C) in the issuance of Junior Lien Bonds if and to the extent the Junior Lien Bonds to be issued are refunding bonds, that is, delivered in lieu of or in substitution for, or to provide for the payment or one or more Series of Junior Lien Bonds, or portions thereof, originally issued under the Resolution, if the City shall cause to be delivered a certificate of an Authorized Officer setting forth the Average Annual Debt Service Requirement (i) for the Junior Lien Bonds then Outstanding and (ii) for all Series of Junior Lien Bonds to be immediately Outstanding thereafter and stating that the Average Annual Junior Lien Debt Service Requirement pursuant to (ii) above is not greater than that set forth pursuant to (i) above.

The City need not comply with the provisions of any other paragraph of (C) in the issuance of Junior Lien Bonds if and to the extent the Junior Lien Bonds to be issued are for the purpose of provid-

ing any necessary additional funds required for completion of any improvements to either the Utility System or the Stormwater Drainage System (“Completion Bonds”) if originally financed by the issuance of Junior Lien Bonds; provided that such Completion Bonds for which the City need not comply with the provision of such first paragraph of (C) may not exceed ten percentum (10%) of the total principal amount of Bonds estimated to be required for such improvements to the Systems at the time of issuance of the initial Series of Bonds to finance such improvements.

Credit Obligations

Payments owed by the City with respect to any Credit Obligation shall constitute Cost of Operation and Maintenance only if at the time the City enters into the contract relating to such Credit Obligation the City shall have affirmatively elected to treat such Credit Obligation as Cost of Operation and Maintenance by providing to the Trustee satisfactory evidence of such affirmative action and the City shall have been provided a certificate of a Qualified Independent Consultant stating that, assuming such payments are made as Cost of Operation and Maintenance from the Revenue Fund, the Net Revenues for each of the full Fiscal Years in the period specified in the next sentence (less the projected deposits into or plus the projected withdrawals from the Operating Reserve Fund in each such Fiscal Years), shall be at least equal to one hundred twenty-five percentum (125%) of the Senior Lien Debt Service Requirement plus one hundred ten percentum (110%) of the Junior Lien Debt Service Requirement for each such Fiscal Year, as estimated by the Qualified Independent Consultant. The period to be covered by such certificate shall be the period beginning with the Fiscal Year in which the contract relating to the Credit Obligation becomes effective and ending with the fifth full Fiscal Year after such effective date. In the event Bonds or Subordinated Debt are issued in connection with incurring such Credit Obligation, the period to be covered by such certificate shall be the period beginning with the Fiscal Year in which the contract relating to the Credit Obligation becomes effective and ending with the later of (a) the fifth full Fiscal Year such effective date or (b) the first full Fiscal Year in which less than 10% of the interest coming due on the City’s Bonds or Subordinated Debt, as applicable, estimated by the Qualified Independent Consultant to be Outstanding is to be paid from deposits made from Bond proceeds (including amounts, if any, to be transferred from the Construction Fund for payment of interest). In providing the certificate required above, the Qualified Independent Consultant may make adjustments to Net Revenues as provided in the Resolution.

Variable Rate Bonds and Commercial Paper Obligations

The City covenants and agrees that no more than thirty percent (30%) of the debt payable from a lien on and pledge of the Revenues of the Utility System and the Stormwater Drainage System shall at any one time be Variable Rate Bonds or Commercial Paper Obligations.

Rate Covenant

The City will fix, establish and maintain such rates, tolls, rents and other fees and charges for the use of the Utility System and revise the same from time to time, whenever necessary, as will always provide Gross Revenues of the Utility System in each Fiscal Year (less deposits into and plus withdrawals from the Operating Reserve Fund in each such Fiscal Year) together with the Gross Revenues of the Stormwater Drainage System and together with the Special Assessments sufficient to pay (1) (a) one hundred fifteen percentum (115%) of the Senior Lien Debt Service Requirement and one hundred percentum (100%) of the Junior Lien Debt Service Requirement, plus one hundred percentum (100%) of all reserve, renewal and replacement and other payments, and allocations and applications of revenues required in the Resolution, including Cost of Operation and Maintenance of the Utility System

and (b) together with the Sewer System Development Charges in an amount not greater than the Sewer System Development Charges Bond Service Component, the Water System Development Charges in an amount not greater than the Water System Development Charges Bond Service Component and the Stormwater Drainage System Development Charges in an amount not greater than the Stormwater Drainage System Development Charges Bond Service Component, one hundred thirty percentum (130%) of the Senior Lien Debt Service Requirement and one hundred twenty percentum (120%) of the Junior Lien Debt Service Requirement, plus one hundred percentum (100%) of all reserve, renewal and replacement, and other payments and allocations and applications of revenues required in the Resolution, including Cost of Operation and Maintenance of the Utility System or (2) one hundred twenty-five percentum (125%) of the Senior Lien Debt Service Requirement and one hundred ten percentum (110%) of the Junior Lien Debt Service Requirement, plus one hundred percentum (100%) of the reserve, renewal and replacement, and other payments and allocations and applications of revenues required in the Resolution, including Cost of Operation and Maintenance of the Utility System. Such rates shall not be changed by the City at any time except upon the certification of a Qualified Independent Consultant who shall certify that any such changes in the schedule of rates and charges for services of the Utility System will comply with the covenants contained in the Resolution and will be adequate to pay the Cost of Operation and Maintenance of the Utility System and the making of all necessary renewals, replacements, additions, extensions and improvements to the Systems. In making such certification, such Qualified Independent Consultant may make adjustments to Net Revenues of both the Utility System and the Stormwater Drainage System as provided in the Resolution. The City will comply with such additional and supplemental covenants with respect to the rates for the services of the Utility System as may be adopted by any Series Resolution. For purposes of this Section, the term “Special Assessments shall include only seventy-five percent (75%) of scheduled Special Assessments received during such year and shall not include any prepayments of Special Assessments.

Disposition of Systems

(A) The Systems may be sold or otherwise disposed of as a whole or substantially as a whole, only if the net proceeds to be realized, together with other moneys available for such purpose, shall be sufficient fully to retire all of the Outstanding Bonds issued pursuant to the Resolution and all interest thereon to their respective dates of maturity or earlier redemption dates. The proceeds from such sale or other disposition of the Systems shall immediately be deposited first in the Senior Debt Service Fund and then in the Junior Lien Debt Service Fund and shall be used only for the purpose of paying the principal of and interest on the Bonds as the same shall become due, or the redemption of callable Bonds, or the purchase of Bonds at a price not greater than the redemption price of said Bonds, or, if the Bonds are not then redeemable prior to maturity, at prices not greater than the redemption price of such Bonds on the next ensuing redemption date.

(B) The foregoing provision notwithstanding, the City shall have and reserves the right to sell, lease, exchange or otherwise dispose of any of the tangible property or ownership interest in tangible property comprising a part of the Systems in the following manner, if any one of the following conditions exist: (i) such property is not necessary for the operation of the Systems or (ii) such property is not useful in the operation of the Systems or (iii) such property is not profitable in the operation of the Systems.

Prior to any sale, lease, exchange or other disposition of said property:

(i) if the amount to be received therefore is not in excess of one-half (1/2) of one percentum (1%) of the value of the gross plant investment in the Utility System and the Stormwater Drainage System, the officer of the City charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the Systems for which disposition is sought, may determine that such property comprising a part of such Sys-

tems is either no longer necessary, useful or profitable in the operation thereof.

(ii) if the amount to be received therefore is in excess of one-half (1/2) of one percentum (1%) of the value of the gross plant investment in the Utility System or the Stormwater Drainage System, as applicable, the officer of the City charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the Systems for which disposition is sought and the Qualified Independent Consultant shall each first make a finding in writing determining that such property comprising a part of such Systems is either no longer necessary, useful or profitable in the operation thereof, and the City shall, by resolution duly adopted, approve and concur in the finding of such authorized officer and the Qualified Independent Consultant.

The net proceeds realized from such disposal of a part of the Systems shall be deposited in the Renewal, Replacement and Improvement Fund to the extent necessary to make the amount on deposit therein equal to the amount then required to be on deposit therein; and any additional moneys not needed for said fund shall be used for any capital expenditures in connection with the Systems or the purchase or redemption of Outstanding Bonds.

(C) Notwithstanding any other provision of this Section or the Resolution to the contrary, except for the initial paragraph of this Section, the City may sell, lease, exchange or otherwise dispose of tangible property or an ownership interest in tangible property comprising a part of the Systems provided the duly authorized officer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the Systems for which disposition is sought, and the Qualified Independent Consultant each make a finding in writing, adopted and confirmed by resolution of the City, determining that (i) such sale, lease, exchange or other disposition will not materially impose or restrict the City's ability to realize Revenues in compliance with the requirements therefore as set forth in the Resolution, and (ii) such sale, lease, exchange or other disposition is in the economic best interests of the City.

(D) Notwithstanding any other provision of this Section or the Resolution to the contrary, the City may transfer ownership and/or operation of all or a portion of the Systems to any public body authorized by the laws of the State to own and/or operate such Systems on an installment sale basis provided that the City (i) has delivered to the Trustee an opinion of Bond Counsel stating the federal income tax exemption of the interest on the Bonds will not be affected and has received an opinion of Bond Counsel stating that such sale is not prohibited by any applicable Florida law, and (ii) the City shall have provided the Trustee a certified copy of resolutions or ordinances of the City to the effect that, based upon such certificates and opinions of its Qualified Independent Consultant, independent certified public accountants, Bond Counsel, financial advisors or other appropriate advisors as the City shall deem necessary, desirable or appropriate, such transfer will not materially adversely affect the rights of the Holders of the Bonds.

(E) Notwithstanding any other provision of this Section or the Resolution to the contrary, the City may transfer ownership of the Stormwater Drainage System (whether pursuant to a sale, transfer, gift or otherwise) to any public body organized or empowered under Florida law to own and operate such Stormwater Drainage System. No such transfer shall occur unless and until the City Commission of the City shall have adopted a resolution providing that such sale is in the best interests of the residents and inhabitants of the City and that such transfer shall not adversely affect the ability of the City to comply with the rate covenant.

(F) Except as provided in paragraph (A) above, the net proceeds realized from the disposal of all or a portion of the Systems shall be deposited in the Renewal, Replacement and Improvement Fund to the extent necessary to make the amount on deposit therein equal to the amount then required to be on deposit therein; and any additional moneys not needed for said fund shall be used for any capital expenditures in connection with the Systems or the purchase or redemption of Outstanding Bonds or shall be deposited into the Revenue Fund or the Stormwater Drainage System Revenue Fund, as applicable.

TALLAHASSEE REGIONAL AIRPORT

Introduction

The City of Tallahassee owns and operates the Tallahassee Regional Airport (TLH), located on a 2,749-acre site, seven miles southwest of the City's central business district and within the corporate City limits. The Airport's market service area is a 100-mile radius, which includes Tallahassee and 32 counties in Florida, Georgia and Alabama. In addition to commercial services, TLH supports air freight, business and pleasure flying, and civil and military training operations.

Recent and Upcoming Developments

Tallahassee Regional Airport, not unlike the other small hub airports throughout the country, has experienced the impact of deregulation on its commercial carrier activity, which has resulted in lower competition. The business community believes lower competition has had a negative impact on economic development. The Airport has continued to approach carriers about providing service to the Tallahassee market by demonstrating the potential profitability of providing service. In FY 2001, the Airport added one new airline and one new hub serviced out of Tallahassee. After two years of discussions, the City was successful in attracting AirTran Airways to Tallahassee. AirTran began serving Atlanta and Tampa with continuing service to Miami on November 15, 2001. AirTran was expected to bring competition to the Tallahassee market, which in turn would have a significant impact on lowering airfares. The other Airlines have since lowered their fares in order to compete with AirTran.

The City was also successful in convincing Comair to serve their Cincinnati hub, as well as Fort Lauderdale, with their regional jets (RJs). Beginning January 2002, Delta's affiliate SkyWest Airlines joined the Delta Connection carriers (Comair and ASA) already serving Tallahassee. SkyWest provides service to Delta's Dallas hub. Four years ago, Tallahassee only had access to two airline hubs – Delta's Atlanta and US Air's Charlotte. Now the list also includes Northwest's Memphis hub, COMAIR's Cincinnati hub, AirTran's Atlanta hub, and Delta's Dallas hub via SkyWest. With SkyWest providing new options for the west and southwest, Tallahassee now has strong service to every major region of the United States and beyond. We also have achieved full jet service for our intrastate market. If US Airways secures RJs, we will become an all jet airport during FY 2003.

The addition of AirTran to stimulate the market and the availability of increased air service options bore favorable results for 2002. The Airport enplanement experience over the last several years showed only minor fluctuations in any given year. TLH total passenger growth trends for the short term (1-3 years) would have indicated a decrease as a result of 9/11; however, TLH is expected to experience nearly a 27% increase in traffic for 2002, which is particularly impressive given the fact that air travel is down approximately 10% nationwide. In addition, when other airports are reporting reductions in service, Tallahassee has actually increased the number of departures and the total available seats from this time last year.

The Airport's capital improvement program is primarily supported from Federal Aviation Administration (FAA) entitlement funding, Passenger Facility Charges (PFC), and Florida Department of Transportation (FDOT) grants. Increased funding levels from FAA entitlements, coupled with increased availability of passenger facility charge funds, have more than tripled available construction funding and accelerated the Airport's implementation of many projects. As a result, the Capital Program Administration unit was established for FY 2002 to manage the Airport's Capital Program.

The FAA authorized the Airport to collect a \$3 PFC that expired September 30, 2002. The Airport has collected over \$6 million in PFC revenue. Most of the Airport's PFC funds have been used to initiate the Federal Aviation Regulation (FAR) Part 150 Noise Study and to enable the Airport land acquisition program to move forward. The program is estimated to cost approximately \$21 million with the bulk of the funding anticipated to come from the FAA. The purpose of the land acquisition program is to eliminate incompatible land uses around the Airport facility. This will minimize future planning problems and optimize facility development. While the current PFC Authorization expired in September 2002, the Airport received FAA approval to raise the fee from \$3 to \$4.50 effective October 1, 2002.

The increased PFC fees will fund \$10,231,000 of an estimated \$40,519,000 of Capital Improvements, with \$24,907,000 coming from the FAA Airport Improvement Program and the balance from FDOT and local sources.

Management Discussion of Operations

In the Airport Fund, actual operating income, before transfers, was \$2,378,000 or \$225,000 more than budget. The \$275,000 was allocated between the Airline Prepaid Fees Credit and the Airport RR & I Fund, in accordance with the Airline Use and Lease Agreements. Operating revenues, excluding transfers, were 10% above projections primarily due to above budget airline revenue and parking lot concessions. Expenditures were 5.6% above projections due to the costs of increased security.

The Aviation Department consists of six divisions. The Management division provides overall direction and guidance for the Airport. Responsibilities include monitoring and responding to federal, state and local requirements; meeting passenger service demands and expectations; business development; community relations; strategic planning; and providing safe and efficient airport operations at a reasonable cost.

The Business Services division is responsible for lease management, concessions, restaurant, tenant relations, business recruitment, marketing and research, and demographic reporting and analysis.

The Finance and Administration division is responsible for financial management, accounting, budgeting, planning and development, grant administration, personnel and payroll, and administrative support for the Airport's various programs.

The Facilities Maintenance division is responsible for maintaining runways and safety areas, mowing and landscaping Airport property, repair and electrical services, housekeeping and mechanical service for the terminal facility.

The Operations division is responsible for police and fire rescue services, safety, security, training, general aviation, ground transportation, and FAA compliance.

The Capital Program Administration division is responsible for identifying capital program needs, stormwater management and environmental compliance, and providing construction management and engineering liaison services that includes design plans and specifications, monitoring ongoing construction activities, and other regulatory requirements of the city, FAA, and FDOT.

The Airport is not supported by any local government revenue. Its operations are funded through concessions, parking fees, terminal and general aviation leases, and landing fees. Signatory airline agreements are structured on a residual basis whereby approximately 50% of the Airport's net income is utilized to reduce terminal lease rates and landing fees. The non-signatory airlines are required to pay 125% of the signatory airline rates.

Selected Airport Statistics

Airport Financial Statistics					
For Fiscal Year Ending Sept. 30	1998	1999	2000	2001	2002
Revenue Per Enplaned Passenger	\$ 15.27	\$ 16.35	\$ 16.22	\$ 16.85	\$ 15.63
Debt Per Enplaned Passenger	39.69	29.98	27.90	20.29	16.75
Aircraft Operations - Landings and Take-offs					
For Fiscal Year Ending Sept. 30	1998	1999	2000	2001	2002
Air Carrier Operations(1)	5,183	5,004	4,401	3,468	6,241
Air Taxi Operations(2)	39,612	38,888	38,793	35,217	32,692
General Aviation					
Itinerant Operations	38,483	43,516	44,015	39,254	38,719
Local Operations	18,880	18,232	22,208	16,313	20,027
Military					
Itinerant Operations	5,102	6,220	6,841	7,764	10,987
(1) Consists of planes of 50 or more seats					
Enplanements by Carrier					
For Fiscal Year Ending Sept. 30	1998	1999	2000	2001	2002
USAirways/ Piedmont	132,493	82,691	82,209	92,318	64,777
Mesa (1)	41,311	9,129	4,750	0	215
CC Air (2)	0	50,846	51,155	36,355	20,528
Air Midwest (3)	327	9,009	9,327	10,708	6,668
Delta (4)	192,379	188,039	183,140	151,059	136,969
Comair	83,819	81,586	78,482	55,086	86,054
Atlantic Southeast	8,633	15,937	30,800	56,008	55,599
Skywest (5)	0	0	0	0	18,834
Northwest Airlink (6)	0	0	6,032	28,856	27,205
AirTran Airways (7)	0	0	0	0	87,770
Continental Connection/Gulfstream (8)	12,735	15,827	13,810	11,342	724
Florida Air (FL-AIR) (6)	0	0	0	350	0
Total Enplanements	\$ 471,697	\$ 453,064	\$ 459,705	\$ 442,082	\$ 505,343

- (1) Mesa services commenced March 1998
(2) CC Air services commenced October 1998
(3) Air Midwest services commenced October 1998
(4) Delta assumed flight activity August 1999
(5) Skywest Services commenced January 2002
(6) Northwest Airlink service commenced July 2000
(7) AirTran services commenced November 2001
(7) Continental Connection discontinued service October 2001
(8) Florida Air services from February through April 2001

**CITY OF TALLAHASSEE
AIRPORT SYSTEM
HISTORICAL OPERATING RESULTS
FISCAL YEAR ENDED SEPTEMBER 30**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Operating Revenues (1)	6,801,000	6,842,100	7,036,000	7,449,000	7,896,000
Prepaid Fees Credit (1)	400,000	561,900	568,096	568,096	823,089
Operating Expenses (2)	5,316,000	5,021,000	4,862,000	5,277,000	6,216,000
Non-operating Revenues(Expenses)	205,000	212,000	202,000	308,109	106,193
Revenues Available for Debt Service	2,091,000	2,595,000	2,944,096	3,048,205	2,609,282
Sr. Lien Debt Service	1,164,000	978,000	979,000	979,000	982,000
Sr. Lien Debt Service Coverage	1.80x	2.77x	3.01x	3.11x	2.66x

(1) For the purposes of calculating debt service coverage in accordance with the Resolution rate covenant, the Revenues include Prepaid Fees Credits from the Signatory Airlines. However, in accordance with General Accounting Principles, such Prepaid Fees Credits are not reflected as operating revenues in the City's Co Annual Financial Report.

(2) Excluding depreciation and amortization.

**CITY OF TALLAHASSEE, FLORIDA
AIRPORT FUND
STATEMENT OF NET ASSETS
SEPTEMBER 30**

(in thousands)

ASSETS	2002	2001
Current Assets		
Cash and Cash Equivalents.....	\$ 6,008	\$ 6,951
Investments.....	--	--
Securities Lending Collateral.....	1,486	1,410
Receivables:		
Accrued Interest.....	29	21
Notes.....	--	--
Customers and Others.....	785	583
Due From Other Governments.....	--	--
Less: Allowance for Doubtful Accounts.....	(48)	(58)
Due from Other Funds.....	--	--
Inventory.....	--	--
Total Current Assets.....	8,260	8,907
Restricted Assets		
Cash and Cash Equivalents.....	6,323	3,995
Investments.....	1,169	1,170
Securities Lending Collateral.....	1,863	1,048
Receivables:		
OtherOther.....	--	--
Accrued Interest.....	34	77
Due from Other Governments.....	571	710
Total Restricted Assets.....	9,960	7,000
Noncurrent Assets		
Advances to Other Funds.....	--	--
Unamortized Bond Issue Costs.....	137	149
Fixed Assets (Net of Accumulated Depreciation).....	55,590	55,877
Construction in Progress.....	11,160	7,587
Total Noncurrent Assets.....	66,887	63,613
Total Assets.....	\$ 85,107	\$ 79,520

CITY OF TALLAHASSEE, FLORIDA
AIRPORT FUND
STATEMENT OF NET ASSETS
FISCAL YEAR ENDED SEPTEMBER 30
(in thousands)

LIABILITIES AND NET ASSETS	LIABILITIES	2002	2001
Current Liabilities			
Accounts Payable.....	\$	1,159	\$ 545
Due to Other Funds.....		--	--
Compensated Absences.....		214	165
Obligations Under Securities Lending.....		1,486	1,410
Customer Contracts Payable.....		--	--
Prepaid Fees Credit Payable.....		--	722
Total Current Liabilities.....		2,859	2,842
Payable From Restricted Assets:			
Obligations Under Securities Lending.....		1,863	1,048
Retainage Payable and Accounts Payable.....		40	--
Total Payable From Restricted Assets.....		1,903	1,048
Noncurrent Liabilities:			
Advances from Other Funds.....		2,877	3,130
Compensated Absences.....		208	181
Bonds Payable.....		8,465	8,970
Unamortized Bond Premium (Discount).....		(51)	(56)
Deferment of Loss on Early Retirement of Debt.....		(451)	(519)
Total Noncurrent Liabilities.....		11,048	11,706
Total Liabilities.....		15,810	15,596
	NET ASSETS		
Investment in Capital Assets, net of related debt.....		59,493	52,088
Restricted for Debt Service.....		1,196	1,196
Restricted for Renewal, Replacement, and Improvements...		4,070	3,611
Unrestricted.....		4,538	7,029
Total Net Assets.....		\$ 69,297	\$ 63,924

CITY OF TALLAHASSEE, FLORIDA
AIRPORT FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
NET ASSETS
FISCAL YEAR ENDED SEPTEMBER 30
(in thousands)

	<u>2002</u>	<u>2001</u>
Operating Revenues:		
Charges for Services:		
Landing and Tie Down Fees.....	\$ 1,154	\$ 675
Rentals.....	7,189	7,300
Other.....	375	42
Total Operating Revenues.....	<u>8,718</u>	<u>8,017</u>
Operating Expenses:		
Personnel Services.....	2,507	2,235
Contractual Services.....	2,864	2,231
Materials and Supplies.....	327	324
Other Expenses.....	517	487
Depreciation.....	2,510	2,423
Amortization.....	17	17
Total Operating Expenses.....	<u>8,742</u>	<u>7,717</u>
Operating Income (Loss).....	<u>(24)</u>	<u>300</u>
Non-Operating Revenues (Expenses):		
Interest Revenue.....	552	755
Net Increase in the Fair Value of Investments.....	34	166
Interest Expense.....	(405)	(547)
Other Expenses.....	(3,219)	(2,528)
Total Non-Operating Revenues (Expenses).....	<u>(3,038)</u>	<u>(2,154)</u>
Income (Loss) Before Capital Contributions and Operating Transfers.....	<u>(3,062)</u>	<u>(1,854)</u>
Capital Contributions and Operating Transfers:		
Capital Contributions.....	7,405	5,492
Operating Transfers Out.....	(632)	(562)
Total Capital Contributions and Operating Transfers.....	<u>6,773</u>	<u>4,930</u>
Change in Net Assets.....	<u>3,711</u>	<u>3,076</u>
Net Assets - October 1.....	65,586	61,721
Cumulative Effect of a Change in Accounting Principle.....	-	789
Net Assets - October 1 - As Restated.....	<u>65,586</u>	<u>62,510</u>
Net Assets - September 30.....	<u>\$ 69,297</u>	<u>\$ 65,586</u>

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\$11,995,000
CITY OF TALLAHASSEE, FLORIDA
AIRPORT SYSTEM REVENUE REFUNDING BONDS, SERIES 1995

Dated: November 15, 1995

Purpose

To refund the outstanding City of Tallahassee Airport System Revenue Bonds Series 1988 A and pay certain costs of issuance of the Series 1995 Bonds.

Security

The City has irrevocably pledged the Net Revenues of the Airport System to the payment of the principal of, interest on, and any premium paid upon the redemption of the Series 1995 Bonds. In addition the City has established a Series 1995 Account in the Reserve Fund for payment of the Series 1995 Bonds when other funds are insufficient therefore.

Form

\$7,820,000 Serial Bonds,
 \$1,535,000 Term Bonds due October 1, 2011.
 \$2,640,000 Term Bonds due October 1, 2014.

The Bonds are issued in fully registered form in denominations of \$5,000, or multiples thereof. The bonds are book-entry-only and are not evidenced by physical bond certificates. Interest payments on the Series 1995 Bonds are payable April 1, 1996, and on each October 1 and April 1 thereafter.

Agents

Registrar - Wachovia Bank, NA, Jacksonville, Florida.
Paying Agent - Wachovia Bank, NA, Jacksonville, Florida.
Bond Counsel - Bryant, Miller and Olive, P.A., Tallahassee, Florida.
Insurance - AMBAC Indemnity Corporation.

Ratings

Fitch - AAA
 Moody's - Aaa
 Standard and Poors - AAA

Call Provisions

Mandatory Redemption

Term Bonds Due October 1, 2011
 Term Bonds Due October 1, 2014

Year	Amount	Year	Amount
2010	\$ 745,000	2012	\$ 830,000
2011 (maturity)	\$ 790,000	2013	\$ 880,000
		2014 (maturity)	\$ 930,000

Optional Redemption

Series 1995 bonds maturing on or after October 1, 2005. In whole or in part in any order on October 1, 2004, or on the first day of each month thereafter.

<u>Redemption Dates (both inclusive)</u>	<u>Redemption Prices</u>
October 1, 2004 to September 30, 2005	101%
October 1, 2005 and thereafter	100%

\$11,995,000
CITY OF TALLAHASSEE, FLORIDA
AIRPORT SYSTEM REVENUE REFUNDING BONDS, SERIES 1995

Summary of Remaining Debt Service Requirements

Bond Year Ending	Interest Rate	Principal	Interest	Total
2003	4.80%	\$ 525,000	\$ 452,899	\$ 977,899
2004	4.90%	550,000	427,699	977,699
2005	5.00%	580,000	400,749	980,749
2006	5.13%	610,000	371,749	981,749
2007	5.25%	640,000	340,486	980,486
2008	5.38%	675,000	306,886	981,886
2009	5.40%	710,000	270,605	980,605
2010	5.50% (1)	745,000	232,265	977,265
2011	5.50% (1)	790,000	191,290	981,290
2012	5.60% (1)	830,000	147,840	977,840
2013	5.60% (2)	880,000	101,360	981,360
2014	5.60% (2)	930,000	52,080	982,080
Totals		<u>\$ 8,465,000</u>	<u>\$ 3,295,908</u>	<u>\$ 11,760,908</u>

(1) Term bonds due October 1, 2011.

(2) Term bonds due October 1, 2014.

**AIRPORT SYSTEM REVENUE BONDS
SUMMARY OF CERTAIN PROVISIONS**

PLEDGED REVENUES

“Net Revenues” of the System are the Revenues or Gross Revenues, after deduction of the Cost of Operation and Maintenance. Bonds are not payable from any other funds of the City.

RATE COVENANT

The City will fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use of the products, services and facilities of the System which will always provide Revenues in each Fiscal Year sufficient to pay the aggregate of (i) the amount needed to pay all Costs of Operation and Maintenance as the same shall become due in such year, and (ii) the greater of (a) 125% of the Debt Service Requirement becoming due in such year on the Outstanding Bonds or (b) 100% of all deposits to be made pursuant to the Resolution. Such rates, fees, rentals or other charges shall not be reduced so as to render them insufficient to provide revenues for such purposes. In calculating “Revenues” for such purpose, credit shall not be given for earnings on amounts on deposit in the Renewal, Replacement and Improvement Fund. With respect to Subordinated Debt, the City agrees to fix, establish, revise, maintain and collect such rates, fees and charges as shall be approved by resolution of the City adopted at or prior to the sale of such Subordinated Debt.

PARITY TEST

No Additional Parity Obligations on a parity with the Bonds shall be issued after the issuance of the Series 1988A Bonds, except upon the conditions and in the manner as follows:

(1) There shall have been obtained a certificate of an authorized representative of the City qualified to provide such certification stating: (a) that the books and records of the City relative to the System have been reviewed by him; (b) that the Net Revenues received by the City during the Fiscal Year preceding the date of issuance of the proposed additional Parity Obligations is equal to not less than 125% of the Debt Service Requirement on the Outstanding Bonds due during such Fiscal Year, and there shall have been obtained a certificate of a Qualified Airport Consultant qualified to provide such certification stating: (a) that the books and records of the City relating to the System have been reviewed by him; (b) that the amount of the Net Revenues expected to be received for each of the first three (3) complete Fiscal years after completion of construction of the Project to be financed with the proceeds of such Additional Parity Obligations or for each of the first five (5) complete Fiscal Years from the date of issuance of such Additional Parity Obligations, whichever is later, shall not be less than that amount required for the City to comply with the rate covenant required by the Resolution on any Bonds then Outstanding, the parity obligations with respect to which such certificate is made, and on any other parity obligations then outstanding.

(2) The City need not comply with the provisions of paragraph (1) above if and to the extent the Bonds to be issued are Refunding Bonds, if the City shall cause to be delivered a certificate of an independent certified public accountant setting forth the Maximum Debt Service Requirement (a) for the Bonds then Outstanding and (b) for all Series of Bonds to be immediately Outstanding thereafter and stating that the Maximum Debt Service Requirement pursuant to (b) above is not greater than that set forth pursuant to (a) above.

(3) The City need not comply with the provisions of paragraph (1) above if and to the extent the Bonds to be issued are for the purpose of providing any necessary additional funds required for completion of any improvements to the System (“Completion Bonds”) if originally financed pursuant to the Resolution; provided that such Completion Bonds for which the City need not comply with the provisions of paragraph (1) above may not exceed ten percent (10%) of the total principal amount of Bonds estimated to be required for such improvements to the System at the time of the issuance of the initial Series of the Bonds to finance such improvements.

(4) The City shall not be in default in the carrying out of any of the obligations assumed under the Resolution, and all payments required by the Resolution to be made into the funds and accounts established thereunder shall have been made to the full extent required.

(5) The resolution authorizing the issuance of the Additional Parity Obligations shall recite that all of the covenants contained in the Resolution will be applicable to such Additional Parity Obligations.

(6) Issuance of Additional Parity Obligations with Respect to Subordinated Debt—No Additional Parity Obligations on a parity with any Subordinated Debt shall be issued after the issuance of the initial series of Subordinated Debt, except upon the terms and conditions as shall be approved by resolution of the City adopted at or prior to the issuance of such initial series of Subordinated Debt.

OTHER DEBT FINANCING

Sunshine State Governmental Financing Commission

The Sunshine State Governmental Financing Commission (the “Commission”) was created in 1985 through interlocal agreement between the City of Tallahassee and the City of Orlando, Florida. Subsequently other Florida governments joined the Commission including eleven additional cities and three counties. The Commission was created to provide large, sophisticated governments the opportunity to work together to create low cost, flexible financing instruments.

Variable Rate Loan

In 1986, the Commission sold \$300 million in multi-modal variable rate revenue bonds and made the proceeds available to its members. As a multi-modal program, the loan pool requires both supporting reimbursement (letter or line of credit) and remarketing agreements. The program documents provide that each loan is responsible for its proportionate share of the accrued interest on the bonds, together with all on-going administrative costs including letter of credit fees, remarketing cost, trustee fees and paying agent fees. Interest and administrative costs on the loans are billed by the Trustee on a monthly basis by the 5th of each month and are deemed delinquent if not paid by the 15th. All loans are independent and there is no cross indemnification between and among the participants. Prepayment of a portion or all of the outstanding balance can be made at any time without penalty.

As of September 30, 2002, the City had outstanding six loan agreements with the Commission under this program, as described below:

- 1) \$18,200,000 in November 1986; secured by a covenant to budget and appropriate from all non-ad-valorem revenues of the City and has no specific claims on any revenue stream; mandatory amortization of principal in equal amounts during the years 2011-2016, with all principal to be retired by January 30, 2016; as of September 30, 2002, the balance outstanding on this loan was \$16,999,730.
- 2) \$3,550,000 in May 1991, description same as (1); September 30, 2002 balance of \$3,550,000.
- 3) \$1,150,000 in September 1991; description same as (1); September 30, 2002 balance of \$1,150,000.
- 4) \$36,500,000 in April 1999; secured by a pledge of subordinate revenues from the Energy System; the City intends to make annual payments of principal, in addition to the interest, even though this loan has a required final maturity of 2016; September 30, 2002 balance of \$35,835,000.
- 5) \$7,909,000, in April 2001; secured by a pledge of subordinate revenues from the Energy System; the City intends to make annual payments of principal, in addition to the interest, even though this loan has a final maturity of 2015; September 30, 2002 balance of \$7,765,000.
- 6) \$5,050,000, in April 2001; secured by a covenant to budget and appropriate from all non ad-valorem revenues of the City and has no specific claims on any revenue stream; interest to be paid monthly with annual principal payments due on October 1 beginning in 2001; loan has a final maturity of 2015; September 30, 2002 balance of \$4,815,000.

Commercial Paper Program

In order to meet the demands of its members the Commission created a second borrowing pool in 1994. The 1994 program is a true commercial paper program wherein the Commission, simultaneous with the origination of a loan, issues additional commercial paper in a like amount. In addition to the security pledged by the individual borrowers on their loans, all loans are secured by bond insurance provided either by Ambac, FGIC, MBIA, or FSA. As with the 1986 program, there is no cross indemnification among borrowers, and borrowers are contractually obligated to repay the principal as set forth in their loan agreements, and to pay their prorata share of the interest on the outstanding commercial

paper, along with all related cost of the Commission associated with operating and maintaining the program.

In May 2000, the City entered into two new loans under this program, as follows:

- 1) \$9,265,000 Electric System Loan, secured by a pledge of subordinate revenues from the Electric System. The proceeds of this loan were for a portion of the initial payment on the General Electric Long-Term Services Agreement for Purdom Unit 8 (see *Energy System – The Electric System*). The final maturity of this loan is October 1, 2006, with annual payments of principal and interest. September 30, 2002 balance of \$7,870,000.
- 2) \$11,370,000 Gas System Loan, secured by a pledge of subordinate revenues of the Gas System, for the purpose of Gas System expansion and improvements. The City intends to make annual payments of principal, in addition to the interest, even though this loan has a required final maturity of 2016. September 30, 2002 balance of \$10,987,000.

Conduit Issues, Non-Profit Organizations

The City has also acted as a conduit for the issuance of bonds for three non-profit organizations in the City: Tallahassee Memorial HealthCare, Inc.; Tallahassee Community College Foundation, Inc.; and Florida State University Schools, Inc.

Tallahassee Memorial HealthCare, Inc. currently has five bond issues outstanding for which the City acted as a conduit; Tallahassee Community College, Inc. has two such issues outstanding; and Florida State University Schools, Inc. has two issues outstanding.

Conduit Issues, Industrial Development and Industrial Revenue Bonds

From time to time the City also acts as a conduit issuer for private industries in the issuance of Industrial Development Revenue Bonds. There are currently seven issues of Industrial Development Revenue Bonds outstanding for which the City has acted as the conduit issuer. These bonds are issued pursuant to an indenture of trust between the City and a trustee, with the entity on whose behalf the bonds are issued being solely responsible for their repayment, with no resulting liability on behalf of the City. The Industrial Development Revenue Bonds currently outstanding were issued as follows:

- 1) \$1,500,000, Tallahassee Downtown Improvement Authority, Industrial Development Revenue Bond (Governor's Inn Project), Series 1983. Trustee – Wachovia Bank, NA, Jacksonville, Florida.
- 2) \$1,250,000, Tallahassee Downtown Improvement Authority, Industrial Development Revenue Bond (Chiles, Tichenor, Lindner, Rumrell Project) Series 1984. Trustee – Wachovia Bank, NA, Jacksonville, Florida.
- 3) \$1,700,000, Tallahassee Downtown Improvement Authority, Industrial Development Revenue Bonds (Wescott Station Project), Series 1985. Trustee – Bank of New York, Jacksonville, Florida.
- 4) \$100,000 Tallahassee Downtown Improvement Authority, Industrial Development Revenue Bonds (Wescott Station Project), Series 1986. Trustee – Bank of New York, Jacksonville, Florida.
- 5) \$1,500,000 City of Tallahassee, Florida, Industrial Development Revenue Bonds (Dykes Industries, Inc. Project), Series 1990. Trustee - Signet Trust Company, Richmond, Virginia.
- 6) \$2,200,000 City of Tallahassee, Florida Industrial Development Revenue Bonds (Rose Printing Company, Inc. Project), Series 2000 A. Trustee –Wachovia Bank, NA, Jacksonville, Florida.
- 7) \$2,000,000 City of Tallahassee, Florida Taxable Industrial Development Revenue Bonds (Rose Printing Company, Inc. Project), Series 2000 B. Trustee –Wachovia Bank, NA, Jacksonville, Florida.

